IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the base prospectus following this page (the "**Base Prospectus**") published by Joint Stock Company «KazAgro» National Management Holding (the "**Issuer**") and you are therefore required to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE BASE PROSPECTUS MAY ONLY BE DISTRIBUTED WITHIN THE UNITED STATES TO QIBs WHO ARE ALSO QPs (EACH, AS DEFINED BELOW) IN ACCORDANCE WITH RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The Base Prospectus is only addressed to and directed at persons in member states of the European Economic Area ("**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") ("**Qualified Investors**"). In addition, in the United Kingdom ("**UK**"), this Base Prospectus is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and Qualified Investors falling within Article 49 of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Base Prospectus must not be acted on or relied on (i) in the UK, by persons who are not relevant persons and (ii) in any member state of the EEA other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which this Base Prospectus relates is available only to (i) in the UK, relevant persons, and (ii) in any member state of the EEA other than the UK, Qualified Investors, and will be engaged in only with such persons.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES ISSUED WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR, EXCEPT AS PROVIDED IN THE BASE PROSPECTUS, OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO PERSONS THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES ARE BOTH QUALIFIED INSTITUTIONAL BUYERS (EACH, A "**QIB**") WITHIN THE MEANING OF RULE 144A AND QPS AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (EACH, A "**QP**"), WHO WILL BE DEEMED TO REPRESENT THAT (A) THEY ARE QPs WHO ARE ALSO QIBs; (B) THEY ARE NOT BROKER DEALERS WHO OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS; (C) THEY ARE NOT PARTICIPANT DIRECTED EMPLOYEE PLANS, SUCH AS A 401(K) PLAN; (D) THEY ARE ACTING FOR THEIR OWN ACCOUNT, OR THE ACCOUNT OF ONE OR MORE QIBs, EACH OF WHICH IS ALSO A QP; (E) THEY ARE NOT FORMED FOR THE PURPOSE OF INVESTING IN THE SECURITIES OF THE ISSUER; (F) EACH ACCOUNT FOR WHICH THEY ARE PURCHASING WILL HOLD AND TRANSFER AT LEAST U.S$200,000 IN PRINCIPAL AMOUNT OF SECURITIES AT ANY TIME (OR ITS EQUIVALENT IN OTHER CURRENCIES); (G) THEY UNDERSTAND THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES; AND (H) THEY WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREES.

Confirmation of the Representation: In order to be eligible to view the Base Prospectus or make an investment decision with respect to the securities, you must be a QIB who is also a QP. This Base Prospectus is being sent at your request and by accepting this e-mail and accessing the Base Prospectus, you shall be deemed to have represented to us that you are a QIB who is also a QP and you consent to delivery of the Base Prospectus by electronic transmission. You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and a permanent dealer or any affiliate of a permanent dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such permanent dealer or an affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This Base Prospectus has been sent to you in an electronic form. Recipients of the Base Prospectus who intend to subscribe for or purchase the securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and, consequently, none of the dealers, as named in the Base Prospectus, nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from Citigroup Global Markets Limited, HSBC Bank plc, and The Royal Bank of Scotland plc (together the "**Arrangers**" and "**Permanent Dealers**") or Tsesna Capital JSC (the "**Kazakh Dealer**").

Joint Stock Company «KazAgro» National Management Holding

(a joint stock company organised in the Republic of Kazakhstan)

U.S.$2,000,000,000
DEBT ISSUANCE PROGRAMME

Under this U.S.$2,000,000,000 Debt Issuance Programme (the "**Programme**"), Joint Stock Company «KazAgro» National Management Holding (the "**Issuer**" or "**Company**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below) on the terms set out herein, as read in conjunction with the final terms (each such final terms, the "**Final Terms**") setting out the specific terms of each issue. The maximum aggregate nominal amount of Notes outstanding under the Programme will not exceed U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement referred to herein), subject to increase as described herein. The Notes will be constituted by, are subject to and have the benefit of the deed of covenant dated 6 May 2014 (as may be amended or supplemented from time to time, the "**Deed of Covenant**") executed by the Issuer for the benefit of Noteholders and are the subject of an amended and restated fiscal agency agreement dated 6 May 2014 (as may be further amended or supplemented from time to time, the "**Fiscal Agency Agreement**") and made between the Issuer, Citibank Global Markets Deutschland AG, as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), and the transfer agents, paying agents and other agents named therein.

This Base Prospectus comprises a Base Prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC as amended by Directive 2010/73/EU (together, the "**Prospectus Directive**"). Application will be made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes issued under the Programme during the period of 12 months from the date hereof to be admitted to the Official List (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. With respect to Notes to be admitted to the Official List and to be admitted to trading by the Irish Stock Exchange, each relevant Final Terms will be delivered to the Central Bank (as defined below) and to the Irish Stock Exchange on or before the date of issue of the Notes of such Tranche. In addition, unless otherwise agreed with the relevant Dealer(s) (as defined below) and provided for in the Final Terms, the Issuer will use its reasonable endeavours to cause all Notes issued by the Issuer under the Programme to be admitted to the "rated debt securities" category of the official list of the Kazakhstan Stock Exchange (the "**KASE**") as from (and including) the date of issue of the relevant Notes in respect of such Notes (the "**Issue Date**"). No Notes issued by the Issuer may be issued and placed without the prior consent the National Bank of Kazakhstan's Committee for the Control and Supervision of the Financial Market and Financial Organisations (the "**FMSC**"). This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Directive 2003/71/EC. Such approval relates only to Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area.

AN INVESTMENT IN NOTES INVOLVES A HIGH DEGREE OF RISK.
SEE "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN NOTES ISSUED UNDER THE PROGRAMME.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the U.S. or other jurisdiction, and, subject to certain exceptions, may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). Notes may be offered and sold within the United States to persons who are qualified institutional buyers (each, a "**QIB**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**"), and are also qualified purchasers (each, a "**QP**") as defined in section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the "**Rule 144A Notes**"). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Notes may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each, a "**Dealer**" and, together, the "**Dealers**"), which appointment may be for a specific issue of Notes or on an on-going basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in relation to an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all the Dealers agreeing to subscribe for such Notes or, in the case of a syndicated issue of Notes, the lead manager of such issue, as the case may be.

The long-term foreign currency debt of the Issuer has been rated BBB+ (outlook stable) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BBB (rating watch negative) by Fitch Ratings Limited ("**Fitch**"). Notes issued under the Programme may be rated or unrated. Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Limited are established in the European Union and are registered under Regulation (EC) № 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) № 513/2011 (the "**CRA Regulation**"). Where an issue of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arrangers and Permanent Dealers

Citigroup HSBC The Royal Bank of Scotland

Kazakh Dealer

Tsesna Capital JSC

The date of this Base Prospectus is 6 May 2014

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche of Notes, should be read and construed together with the relevant Final Terms.

Notes issued under the Programme shall have a minimum denomination of not less than EUR100,000 (or its equivalent in another currency). Subject thereto and in compliance with all applicable legal, regulatory and central bank requirements, Notes will be issued in such denominations as may be specified in the relevant Final Terms.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arrangers and Permanent Dealers (as defined in "*Subscription and Sale*"), the Kazakh Dealer (as defined in "*Subscription and Sale*"), the Dealers, the Fiscal Agent or any of their respective affiliates.

None of the Arrangers and Permanent Dealers, the Kazakh Dealer, the Dealers or the Fiscal Agent has independently confirmed the completeness and accuracy of the information contained herein. Accordingly, no representation or warranty is made or implied by the Arrangers and Permanent Dealers, the Kazakh Dealer, the Dealers, the Fiscal Agent or any of their respective affiliates, and none of the Arrangers and Permanent Dealers, the Kazakh Dealer, the Dealers, the Fiscal Agent nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in, and each of them disclaims all and any liability whether arising in tort or contract or otherwise, which it might otherwise have in respect of, this Base Prospectus or any supplement hereto. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arrangers and Permanent Dealers, the Kazakh Dealer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Transfer Restrictions*" and "*Subscription and Sale*".

Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arrangers and Permanent Dealers, the Kazakh Dealer, the Dealers, the Fiscal Agent or any of their respective affiliates that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. The contents of this Base Prospectus are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In connection with the listing of the Notes on the KASE, the Issuer will furnish the KASE with a Russian translation of this Base Prospectus (the "**Translation**"). The Translation has been prepared by the Issuer solely for the purpose of listing the securities described in the Base Prospectus on the KASE and obtaining relevant consents of the FMSC. The accuracy and completeness of the Translation have been verified by an independent translation agency hired by the Issuer, and none of the Arrangers and Permanent Dealers, the Kazakh Dealer, the Dealers nor any of their respective affiliates has verified, makes any representation or warranty, or takes any responsibility for the accuracy or completeness of the Translation. The Base Prospectus in English is the authentic and definitive version for the investment decision making process. In the event of any conflict or discrepancy between the English version of the Base Prospectus and the Translation, or any dispute regarding the interpretation of any statement in the English version or the Translation, the English version shall prevail.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated by the relevant Final Terms may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a base prospectus for such offer.

NEITHER THE NOTES NOR ANY BENEFICIAL INTERESTS THEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes may have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes are expected to perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent Notes are lawful investments for it, Notes can be used as collateral for various types of borrowing, and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON EACH TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer is required to maintain its accounts in accordance with relevant laws and regulations in the Republic of Kazakhstan ("**Kazakhstan**") and the regulations of the NBK (as defined below). These laws and regulations require that the Issuer's accounts be prepared in Tenge (as defined below) and in accordance with International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standard Board (the "**IASB**"). Accordingly, the Group's audited annual consolidated financial statements as at and for the years ended 31 December 2013, 31 December 2012 and 2011, and the notes thereto (the "**Consolidated Financial Statements**"), which are contained in this Base Prospectus, were prepared in Tenge and in accordance with IFRS.

Investors should be aware that the Issuer has not published any financial statements as at any date, or for any period after, 31 December 2013. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition*".

References in this Base Prospectus to the "**Group**" are to the Issuer and its consolidated subsidiaries from time to time.

Currencies

In this Base Prospectus:

"**EUR**", "**Euros**" or "**€**" refers to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;

"**Tenge**" or "**KZT**" refers to Kazakhstan Tenge, the lawful currency of the Republic of Kazakhstan; and

"**U.S.$**" or "**U.S. Dollars**" refers to United States Dollars, the lawful currency of the United States of America.

Solely for convenience, this Base Prospectus includes conversions of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any consolidated statement of financial position data in U.S. Dollars is converted from Tenge at the applicable exchange rate on the date of such consolidated statement of financial position (or, if no such rate was quoted on such date, the immediately preceding date on which such rate was quoted) and any income statement data in U.S. Dollars is converted from Tenge into U.S. Dollars at the average exchange rate applicable to the period to which such income statement data relates, in each case, calculated in accordance with the published exchange rates for U.S. Dollars on the KASE, as reported by the National Bank of Kazakhstan (the "**NBK**"). Such translations are not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the Tenge amounts have been or could be converted into U.S. Dollars at that rate or any other rate.

The following table sets forth the period-end, average and low and high rates for Tenge, each expressed in Tenge and based on the Tenge/U.S. Dollar exchange rates quoted on the KASE, as reported by the NBK for the periods indicated:

Period	**Period end**	**Average**[(1)]	**High**	**Low**
			(KZT/U.S.S1.00)	
Year ended 31 December 2011	148.40	146.62	148.40	145.17
Year ended 31 December 2012	150.74	149.11	150.86	147.50
Year ended 31 December 2013	153.61	152.14	154.52	150.23
Four months ended 30 April 2014	182.05	172.83	184.95	154.06

Note:

(1) The average rate reported by the NBK on each day during the relevant period.

The Tenge/U.S. Dollar exchange rate as reported by the NBK on 30 April 2014, was KZT 182.05 per U.S.$1.00.

The above rates may differ from the actual rates used in the preparation of the Group's Consolidated Financial Statements or other financial information appearing in this Base Prospectus. No representation is made that the Tenge amounts in this Base Prospectus could have been converted into U.S. Dollars, at any particular rate or at all. Fluctuations in exchange rates between the Tenge and U.S. Dollar are not necessarily indicative of fluctuations that may occur in the future.

Rounding

Certain amounts which appear in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

Market and Industry Data

Certain statistical and market information that is presented in this Base Prospectus on such topics as Kazakhstan's banking and agricultural sectors, Kazakhstan's economy in general and commodity prices and volumes and related subjects has, unless otherwise stated herein, been extracted from documents and other publications released by the FMSC, the NBK, the Ministry of Agriculture of the Republic of Kazakhstan (the "**Ministry of Agriculture**") and the National Statistics Agency of Kazakhstan (the "**NSA**").

The Issuer has accurately reproduced such information and, so far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. Prospective investors should note that some of the Issuer's estimates are based on such third-party information. None of the Issuer, the Arrangers and Permanent Dealers, the Kazakh Dealer, or the Dealers have independently verified the figures, market data or other information on which third parties have based their studies.

Official data published by Kazakhstan governmental or regional agencies is substantially less complete or researched than those of more developed countries. Further, official statistics, including those produced by the FMSC, the NBK, the Ministry of Agriculture and the NSA, may be produced on different bases than those used in more developed countries. Unless otherwise stated, macroeconomic data which appear in this Base Prospectus have been derived from statistics published by the NSA. See "*Risk Factors—Risks relating to Kazakhstan—Official Statistics*". Any discussion of matters relating to Kazakhstan's agricultural sector, economy and related topics as well as other participants in the Kazakhstan agricultural sector in this Base Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

According to the Ministry of Agriculture, more than 80% of all grain trading activities conducted in Kazakhstan comprise purchases and sales of wheat. At the Company's subsidiary, Joint Stock Company "National Company "Food

Contract Corporation" ("**FCC**"), more than 95% of grain trading activities comprise purchases and sales of wheat. Accordingly, references made in this Base Prospectus to grain are references to wheat.

SEC Reporting Requirements

The financial information included in this Base Prospectus is not intended to comply with SEC reporting requirements. Compliance with such requirements may require the modification or exclusion of certain financial measures, including the conversion of Tenge into U.S. Dollars for any period other than as of and for the year ended 31 December 2013 and the presentation of certain other information not included herein.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and include statements regarding the Issuer's intentions, beliefs or current expectations concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, the agricultural sector in Kazakhstan and the industries and markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity and the development of the sectors and economy in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Group's results of operations, financial condition and liquidity and the development of the sectors and economy in which it operates are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause actual results to differ materially from the Issuer's expectations are contained in cautionary statements in this Base Prospectus and include, among other things, the following:

- changes in the condition of the agricultural sector in Kazakhstan;
- changes in market prices of, and supply and demand for, grain and other agricultural products in Kazakhstan and globally;
- changes in regulations and policies of the Government of the Republic of Kazakhstan (the "**Government**"), including, in particular, the Ministry of Agriculture, relating to the agricultural sector in Kazakhstan and to the Group;
- seasonal trends and production cycles;
- changes in political, social, business and economic conditions and the regulatory environment in Kazakhstan and in other markets in which the Group operates;
- the continued availability of funding to the Group from the Government at concessional rates;
- anticipated growth of the Group business;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance revenue from sale of goods and services growth;
- estimates and financial targets for increasing the Group's loan portfolio;
- effects of the global financial crisis;
- the demand for the Group's products or services;
- competitive factors in the sectors and economy in which the Group and its customers compete;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations, other capital market conditions and continued accessibility of the capital markets and other commercial funding sources to the Group;
- exchange rate fluctuations;
- economic, business and political conditions in international markets, including changes in Government;

- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing and impact of other uncertainties relating to future actions.

The sections of this Base Prospectus entitled "*Risk Factors*", "*Selected Financial Information and Other Data*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Data*" and "*Business*" contain a more complete discussion of the factors that could affect the Group's future performance and the sectors and economy in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

ADDITIONAL INFORMATION

The Issuer is not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as the Issuer is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer will, upon request, furnish to each holder or beneficial owner of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. See "*Terms and Conditions of the Notes—Negative Pledge and Covenants*".

RESPONSIBILITY STATEMENT

This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Certain information in this Base Prospectus contained under the headings "*Risk Factors*" and "*The Banking Sector*" and certain other macroeconomic data which appear in this Base Prospectus have been extracted from documents and other publications released by the Ministry of Agriculture, the NSA, the NBK and the FMSC. The Issuer accepts responsibility for accurately reproducing such extracts, and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

SUPPLEMENT TO THIS BASE PROSPECTUS

The Issuer has undertaken, in connection with the listing of Notes, that in the event of a change in the condition of the Issuer, which is material in the context of the Programme or the issue of Notes, and if there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Notes, whose inclusion would be required by investors for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the relevant Notes, the Issuer will, if it is required to do so under applicable laws, prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new base prospectus, for use in connection with that or any subsequent issue by the Issuer of listed Notes.

ENFORCEMENT OF FOREIGN JUDGMENTS

The Issuer is a joint stock company organised under the laws of Kazakhstan and certain of its officers and directors and certain other persons referred to in this Base Prospectus are residents of Kazakhstan. All or a substantial portion of the assets of the Issuer and the Group and such persons are located in Kazakhstan. As a result, it may not be possible to effect service of process upon the Issuer or any such person outside Kazakhstan, to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained in the courts of England.

The Notes, the Deed of Covenant and the Fiscal Agency Agreement are governed by the laws of England and the Issuer has agreed in the Notes, the Deed of Covenant and the Fiscal Agency Agreement that disputes arising thereunder are subject to arbitration in London, England or at the election of the Fiscal Agent or, in the context of the Deed of Covenant, the persons from time to time registered as Noteholders, to the jurisdiction of the English courts. See Condition 23 under "*Terms and Conditions of the Notes*". Kazakhstan's courts will likely not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and England. However, each of Kazakhstan and England are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards and, accordingly, an arbitral award should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in that Convention are met.

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OVERVIEW

The following general description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this general description.

Issuer	Joint Stock Company «KazAgro» National Management Holding.
Arrangers and Permanent Dealers	Citigroup Global Markets Limited, HSBC Bank plc and The Royal Bank of Scotland plc
Kazakh Dealer	Tsesna Capital JSC
Fiscal Agent	Citibank, N.A., London Branch.
Registrar	Citibank Global Markets Deutschland AG
Size	U.S.$2,000,000,000 (or its equivalent in other currencies calculated in accordance with the provisions of the Programme Agreement) outstanding at any one time. The Issuer may increase the amount of the Programme at any time in accordance with the Programme Agreement.
Issuance	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, must be read in conjunction with this Base Prospectus and the Conditions of the Notes set out herein.
FMSC Consents	No Notes issued by the Issuer may be issued and placed without prior consent(s) from the FMSC to issue and place such Notes outside Kazakhstan in accordance with the laws of a foreign country (the "**FMSC Consents**").
Forms of Notes	Each Series of Notes will be issued in registered form only. Rule 144A Notes will initially be represented by a Rule 144A Global Note and Regulation S Notes will initially be represented by a Regulation S Global Note. The Global Notes will be exchangeable for Definitive Note Certificates (as defined herein) in the limited circumstances specified in the Global Notes.
Clearing Systems	Euroclear, Clearstream, Luxembourg and DTC, unless otherwise agreed, and such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal, regulatory and central bank requirements.
Status of the Notes	The Notes will constitute direct, general, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Issue Price	Notes may be issued at any price, as specified in the relevant Final

Terms.

Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal, regulatory and central bank requirements.
Redemption	Notes may be redeemable at par or at such other amount as may be specified in the Terms and Conditions. Notes may be redeemable on such dates as may be specified in the relevant Final Terms.
Early Redemption	Early redemption of the Notes at par will be permitted for tax reasons, as described in Condition 10.2 (*Redemption at the Option of the Issuer*) and, at 101% of their principal amount in the event of a Change of Control or a Permitted Restructuring Ratings Event, (each such term as defined in the Terms and Conditions of the Notes) in accordance with the provisions of Condition 10.3 (*Redemption at the Option of the Noteholders*) under "*Terms and Conditions of the Notes*".
Interest	Notes may be interest-bearing or non interest-bearing (as set out in the relevant Final Terms). Interest (if any) may accrue at a fixed rate or a floating rate.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Final Terms (the "**Specified Denomination**"), provided that, subject to the below, the Specified Denomination(s) shall not be less than EUR100,000 or its equivalent in another currency. For so long as the Notes are represented by a Global Note, and the relevant clearing system(s) so permit, subject to the below, the Notes shall be tradeable only in the minimum authorised denomination of EUR100,000 or its equivalent in another currency and higher integral multiples of any smaller amount specified in the relevant Final Terms. Interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies. Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in another currency).
Negative Pledge and Covenants	The Notes will have, among others, the benefit of a negative pledge and covenants with respect to limitations on the incurrence of indebtedness, changes in business and disposals of assets and requiring compliance with regulations and requirements of the NBK, each as more fully described in Condition 6 (*Negative Pledge and Covenants*) under "*Terms and Conditions of the Notes*".
Cross Default	The Notes will have the benefit of a cross default clause as described in Condition 13 (*Events of Default*) under "*Terms and Conditions of the Notes*".
Taxation	All payments in respect of Notes will be made free and clear of withholding taxes of Kazakhstan unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*) under "*Terms and Conditions of the Notes*") pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law	English law.

Listing	Application has been made for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Main Securities Market of the Irish Stock Exchange. Application has also been made for the Notes issued under the Programme to be admitted to the "rated debt securities" category of the official list of the KASE. This Base Prospectus and any supplement will only be valid for listing Notes on the Official List and admitting Notes to trading on the Main Securities Market during a period of twelve months from the date of this Base Prospectus. The Programme also permits Notes to be issued on an unlisted basis outside of Kazakhstan or to be listed on such other or further listing authorities, stock exchanges or quotation systems outside of Kazakhstan as may be agreed between the Issuer and the relevant Dealer. In addition, the Issuer shall make an application to the KASE for Notes issued under the Programme to be listed on KASE, although no assurance can be given that such listing will be obtained.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Kazakhstan. See "*Subscription and Sale*".
Risk Factors...	Investing in the Notes involves a high degree of risk, which investors should ensure they fully understand. These include: risks relating to the Issuer, risks relating to Kazakhstan and risks relating to the Notes. See "*Risk Factors*".

RISK FACTORS

The following factors may affect the ability of the Issuer to fulfil its obligations under the Notes. Some of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Prior to making an investment decision, prospective purchasers of Notes should carefully consider, along with the other matters referred to in this Base Prospectus, the following risks associated with investment in Kazakhstan entities generally and with investment in securities issued by the Issuer (such as the Notes), which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme. Prospective investors should pay particular attention to the fact that the Issuer operates in the legal and regulatory environment in Kazakhstan, which in some respects may differ from that prevailing in other countries.

Prospective investors should note that the risks described below are not the only risks faced by the Issuer. These are the risks that the Issuer considers to be material. However, there may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any of these risks could have the effect set forth above.

General

State Control

The Group is the primary vehicle of the Government, including, in particular, the Ministry of Agriculture, for the implementation of public policies to regulate the domestic grain market and to stimulate the development of agriculture in Kazakhstan, and the Group's activities are focused on a number of key activities, including promoting productivity and growth in agriculture through industrialisation and diversification, ensuring food security through the development and regulation of the domestic food market and developing the export potential of the agricultural sector. The Company's sole shareholder is the State of Kazakhstan (the "**State**"), acting through the Ministry of Agriculture.

The interests of the Government, including the Ministry of Agriculture, may conflict with the interests of the Company's creditors and there can be no assurance that the Government and, in particular, the Ministry of Agriculture, will exercise influence over the Group in a manner that is in the best interests of the Company or the Noteholders.

Furthermore, there can be no assurance that the Government, including, in particular, the Ministry of Agriculture, will not change its policies in respect of the Group or the Kazakhstan agricultural sector generally. There is also a risk that any change of the Government, including the recent change of the Government in April 2014, may result in changes, which may lead to conflicts between such policies and the interests of the Group and the Noteholders. Any change in Government, including the recent change of the Government in April 2014, may result in changes to the Board of Directors (the "**Board of Directors**") and members of the senior management of the Group, which could, in turn, cause disruption in the management and operation of the Group's business and affairs and have a material adverse effect on the Group's business, results of operations and financial condition. See also "—*Shortage of qualified personnel and changes in management*".

In addition, being controlled by the Government may slow the Company's decision-making process and may subject the Group to the risks of bureaucracy and inefficiencies commonly attributed to state-controlled companies. Any such conflict, changes or inefficiencies could have a material adverse effect on the Group's current strategies and management and on the Group's ability to operate on a commercial basis, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Restructuring

As the sole shareholder of the Company, the State, acting through the Ministry of Agriculture, may require restructuring or further reorganisation of the Group or require it to sell or otherwise dispose of material assets in furtherance of the State's agricultural policy or otherwise. In particular, the Group anticipates that, in the short to medium term, certain of FCC's non-core businesses may be spun off from the Group. There can be no assurance that the Group would receive fair, or indeed any, consideration for any such assets required to be disposed in such circumstances. Any material change to the Group's structure or disposal of its assets could have a material adverse effect on the Group's business, results of operations and financial condition.

Agricultural Sector Development Mandate

The Group's business and strategy are generally driven by the agricultural development goals and policies of the Government, including, in particular, the Ministry of Agriculture, rather than purely commercial considerations, which may not necessarily be in the best interests of the Company or the Noteholders. For example, the grain trading activities of FCC are driven by the policies of the Government and, in particular, the Ministry of Agriculture, for stabilising and regulating the domestic grain market in the context of year-to-year results. Based on such policies and dependent on the results of relevant harvests, the State Commission on the Modernisation of the Economy of the Republic of Kazakhstan (the "**State Commission**") will determine in any given year whether market stabilisation is required, and, if so, it will determine the prices at which FCC is required to purchase or sell grain on the domestic market. As a result, in good harvest years, FCC will generally purchase grain from the domestic market at higher than market prices and, in bad harvest years, FCC will generally sell grain to the domestic market at lower than market prices, in each case, to promote market stability. Such strategies may not necessarily be in the Group's commercial interests.

Furthermore, the Group provides funding exclusively to borrowers and lessees operating in the Kazakhstan agricultural sector and to the rural population. Loans, leases and investments made by the Group are often extended to individuals and entities with a high risk of default and such loans and investments are given at preferential rates and on preferential terms, which make these activities lower return. Moreover, following bad harvests, the Group may extend the maturities and improve the already preferential conditions of such loans and leases for affected borrowers. The Group's borrowers may not otherwise be eligible for financing and the terms of financing provided by the Group may not typically be acceptable to commercial banks and other non-specialist market investors. In addition, in the implementation of the Government's and the Ministry of Agriculture's policies for developing the agricultural sector in Kazakhstan, the Group may grant loans and finance leases to borrowers or for projects, which are not otherwise offered or supported by the commercial sector because they may be considered riskier. As a result, the Group may experience lower profit margins than commercial banks operating in Kazakhstan and may suffer higher levels of impairment, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

State Support

The Group currently benefits from State support, in the form of concessional rate loans from the National Fund and the annual budget of the State for any given year (the "**State Budget**"), as well as regular additional capital contributions from its shareholder, which are all subject to Government approval and any or all of which could be discontinued or modified. The Government also provides various types of financial support to agricultural producers in Kazakhstan through various programmes administered by the Group, which are also subject to discontinuation or modification. The amount and the terms of the concessional rate loans to be made available to the Group, the amount of any additional capital contributions to the Company and the continuation of support programmes for the agricultural sector in Kazakhstan are determined annually by the Government and are dependent on the condition of the State's finances and fiscal policies. Moreover, it is possible that the State could become less inclined to continue to provide support to the Group at current levels if the Group significantly increases the proportion of its funding comprising private sector monies. There can be no assurance that the State will continue to offer funding at the same levels, on the same terms or at all. Any cancellation, limitation, or modification, or decrease in the level, of or reduction of any State support mechanisms could have a material adverse effect on the Group's business, results of operations and financial condition. See also "*—Credit Risk Policies*".

Risks relating to the Kazakhstan Agricultural Sector

As the primary vehicle of the Government, including, in particular, the Ministry of Agriculture, for promoting the development of the Kazakhstan agricultural sector, the Group's businesses are exposed to this sector. As a result, the Group's business, results of operations and financial condition are, to a high degree, dependent on factors affecting the Kazakhstan agricultural sector, many of which are outside the control of the Group.

Cyclical Nature of the Global and Domestic Commodities Markets and Unexpected Changes in Growing Conditions

The prices of agricultural products are influenced by a variety of factors beyond the Group's control, including policies of the Government, in particular, that of the Ministry of Agriculture, weather, crop yields and changes in global demand and global production of such products. Downturns in the prices of agricultural products, both within and outside Kazakhstan, could have a material adverse effect on the Kazakhstan agricultural sector, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

The Kazakhstan agricultural sector is susceptible to extreme changes in growing conditions and years of bad harvest may lead to increased financial difficulties for the agricultural sector not only in the year of the particular harvest, but in future periods as well. Agricultural production may be affected by natural conditions, including, among others, drought (for example, the drought of 2012), flood, pestilence, unexpected or heavy frost and other extreme weather conditions. Moreover, climate changes may have significant long and short-term effects on the agricultural regions of Kazakhstan, which are impossible to predict. Such factors may adversely affect the domestic grain market, agricultural producers and borrowers to whom the Group has extended credit and the Kazakhstan agricultural sector generally and the rural population reliant upon such credit, all of which, in turn, could materially adversely affect the Group's business, results of operations and financial condition.

The Occurrence of Natural Disasters

The occurrence of natural disasters could adversely affect the Kazakhstan agricultural sector in many ways, including the following:

the ability of the agricultural sector to grow crops, keep livestock or produce or acquire other raw materials and operate processing facilities at full capacity could be adversely affected by environmental factors beyond the Group's control, including severe weather conditions such as extreme cold, hail storms, insufficient snow during winter, diseases, fresh water due to floods, droughts if there is a shortage of fresh water, depletion of underground aquifers or other natural disasters; and

feed costs, which comprise one of the principal production costs of cattle breeding businesses, may increase if crop supplies are reduced as a result of environmental factors beyond the Group's control; similar to those described above.

In 2012, certain regions of Kazakhstan experienced severe droughts. These droughts adversely affected crop yields and resulted in increased costs for the procurement of grains, beans and other crops.

The occurrence of droughts or other natural disasters could have a material adverse effect on the Kazakhstan agricultural sector, which could, in turn, have a material adverse effect on the Group's businesses, results of operations and financial condition.

Outbreaks of Certain Diseases Among Livestock

Livestock herds in Kazakhstan may be subject to outbreaks of certain diseases, which could significantly restrict the ability of agricultural producers to conduct their operations. The productivity and profitability of the meat industry in Kazakhstan depends, to a large extent, on its ability to maintain animal health and control disease. Disease can otherwise reduce the number or productivity of livestock herds and hamper the growth of offspring to maturity. Disease can be spread from other infected animals, in feed, in vehicles, by rodents or birds, by people visiting the farms or through the air or water. If livestock were to be infected, agricultural producers would likely be required to destroy all their stock, including animals actually infected and those likely to become infected. Among the diseases to which livestock may be subject are highly contagious diseases that may spread rapidly across countries and regions. An outbreak of a livestock disease could also result in the imposition of Governmental restrictions on the sale or distribution of meat products. Such measures could increase the costs of production, generally create adverse publicity to the meat industry or result in a loss of consumer confidence in the products affected by the particular disease, which could result in declining demand for such products. In addition, outbreaks of a livestock disease may impact demand and pricing for the relevant products even in regions in which an outbreak has not occurred. For example, in January 2012, in the Urjar district of Eastern Kazakhstan, 1,136 cattle were destroyed following an outbreak of Aphtha. In September 2012, in the Northern Kazakhstan region, a case of viral diarrhoea and Shmalenberg sickness was found in 722 cattle, which had been imported from Austria and the entire herd was required to be destroyed pursuant to a Government order. Any outbreak of disease, or the possibility of an outbreak of disease, could have a material adverse effect on domestic livestock, meat producers, food processors and related sectors, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Actual or Alleged Contamination or Deterioration of, or Safety Concerns about, Food Products

The Group, particularly through its subsidiaries FCC and KazAgroProduct, works closely with food processors and food producers. As a result, the Group's business, results of operations and financial condition could be adversely affected by the actual or alleged contamination or deterioration of certain agricultural products, with which it is connected either through its storage facilities, the processing plants or the third-party storage facilities with which it works or in connection with the end products produced by third parties with the Group's assistance and backing. A risk of contamination or deterioration of the Group's food products exists at each stage of the production cycle, including the purchase and delivery of perishable raw materials, the processing and packaging of food products, the stocking and delivery of the finished products to its customers and the storage and display of finished products at the points of final sale. In addition, reports or allegations of inadequate quality control with respect to similar food products produced by other manufacturers may negatively affect the sales of the Group's customers' products, which could have an adverse effect on such customers' ability to service debt owing to the Group, which, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks relating to the Group's Grain and Animal Produce Business

Unpredictability of Revenue from Sale of Goods and Services and Cost of Sales of Group's Grain Business

The Group's revenues and cost of sales are highly dependent on the volumes of grain and cotton, which FCC sells and purchases, as well as the prices at which FCC purchases and sells grain and cotton. The Group's grain and cotton business segment, principally comprising FCC's grain trading activities, contributed 59.3%, 72.5%, 71.7% of the Group's total revenues and comprised 21.1%, 38.2%, 50.0% of the Group's total segment assets (before adjustments and eliminations during the years ended December 2013, 2012 and 2011, respectively. The majority of FCC's trading activities comprise sales and purchases of grain and are, accordingly, primarily set by the policies of the Government, including, in particular, the Ministry of Agriculture, aimed at the promotion of stability in the domestic grain market. Such policies are determined on the basis of, among other things, the grain yield realised in the domestic harvest for any given year, as well as potentially for the prior years, and the perceived impact of the grain yields on the domestic market. Each year, the Government considers the advisability of adopting regulatory measures and, if the Government considers such measures to be necessary, the State Commission will set the price at which FCC shall purchase grain and the price at which FCC shall sell grain on the domestic market for the purposes of satisfying these measures. FCC's revenues and cost of sales in any particular year will be determined by both the harvest during that year, the amount of grain stored and available to the domestic market from previous years' harvests, regional variations in grain production and export prices, all of which contribute further unpredictability to FCC's and the Group's financial performance in any particular year.

Moreover, prices of grain (to the extent FCC's grain trading activities are not subject to price-setting by the State Commission) and cotton are cyclical and are affected by numerous factors beyond the Group's control, including:

- Government policies, both domestically and abroad;
- macroeconomic factors, including exchange rates and inflation, affecting the global and domestic economy;
- changes in global, domestic and regional supply and demand; and
- changes in consumer preferences, both seasonal and long-term.

Any of the foregoing factors could negatively affect the purchase or sale price of grain and cotton, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Political and Economic Risks and Exposures from Export Activities

Export sales of grain to the Commonwealth of Independent States ("**CIS**") and non-CIS countries are important to the Group's business and the Group expects the volume of its export transactions to increase. Political and economic instability, increased governmental regulation of import and export sales of grain, the imposition of adverse trade regulations or adverse changes in existing regulation in countries targeted for export could have a material adverse effect on the Group's strategy to increase grain exports, as well as on its existing exports of grain, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Limited Number of Customers for the Sale of Grain

FCC sells grain to a limited number of customers. For example, the ten largest customers of grain together accounted for approximately 22.3% of the Group's total grain sales in 2013 (both by sales volume and by revenue from the sales of grain). Any future reduction in sales to these customers could materially adversely affect FCC's revenues if it is not easily able to locate alternative market participants with which to trade at acceptable prices. Any of the foregoing could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

The Seasonal Nature of FCC's Business

Due to the seasonal nature of the grain business, FCC often borrows significant amounts under short-term credit facilities with commercial banks in the beginning of a year to finance the purchase of grain. FCC is required to repay a significant portion of these borrowings towards the end of the year as it sells grain it holds in storage or otherwise acquires in the market, although FCC does retain some credit balances from one year to the next, in accordance with the applicable terms of such balances, depending on the level of its purchase, storage and sales activities. For example, FCC's short-term bank borrowings were KZT 74,155 million, KZT 109,399 million and KZT 116,082 million as at 31 December 2013, 2012 and 2011, respectively. FCC also reported short term assets comprising cash and equivalents, accounts receivable, inventories and other assets as at 31 December 2013 of KZT 154,732 million, compared to KZT 199,761 million and KZT 181,504 million as at 31 December 2012 and 2011, respectively. In addition, FCC enters into forward purchase agreements with farmers each spring with the grain due to be delivered at the harvest later in the year. In the event of a low grain yield, FCC's counterparties under these forward purchase agreements may be unable to meet their obligations. If FCC is unable to manage its liquidity position as a result of its grain trading activities or unexpected counterparty defaults in any given year or otherwise, FCC may be unable to repay its borrowings as they come due, which may, in turn, have a material adverse effect on FCC's business, results of operations and financial condition.

Potential Damage to Storage Facilities and Stored Goods

FCC's business is heavily dependent on its storage system of granaries, silos and elevators, including the storage facilities of third parties that it utilises. The Group stores its own agricultural produce as well as agricultural produce owned by third parties. Any damage to the Group's storage system, including to third-party storage facilities used by the Group, as a result of (among other things) internal system failure, fire, collapse of a facility or natural disasters, may result in damage to agricultural products in storage and to the storage system itself resulting in operating losses. Many of these factors are beyond the Group's control. There can be no assurance that the measures the Group currently employs to protect its storage system, the measures taken by third-party storage providers in relation to the Group's grain held by such providers, the insurance coverage in respect of its assets that the Group has in place or its contingency arrangements to redirect agricultural produce as required will prevent losses and, as a result, any significant damage to stored crops or the Group's storage capacity could have a materially adverse effect on the Group's business, results of operations and financial condition.

"KazAgroGarant" Joint Stock Company ("**KazAgroGarant**") provides guarantees to owners of grain in respect of the performance obligations of domestic grain storage facilities for the grain that they store. KazAgroGarant similarly guarantees the performance obligations of cotton-processing facilities. As a result, any damage to such storage facilities resulting in damage to or loss of the grain or cotton that KazAgroGarant guarantees may result in significant claims against KazAgroGarant, and such claims could have a materially adverse effect on the Group's business, results of operations and financial condition.

Operational Risks

The Group is exposed to operational risks resulting from system failures, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

For example, in September 2012, a shortage of grain stored by FCC in a grain storage facility revealed fraud relating to 13,200 tonnes of grain, which resulted in a claim for a KZT 639,700 thousand loss suffered by the Company. The Company commenced legal proceedings in December 2013 against third parties and the proceedings are still ongoing. Any further instances of fraud affecting storage facilities owned by the Group or leased to the Group by third parties could have a materially adverse effect on the Group's business, result of operations and financial condition.

The Group is also exposed across its storage business and also through the logistics it implements to transfer agricultural produce around Kazakhstan, including the risk of transport, machinery and equipment breakdowns or failures and the risk that third-party suppliers may not make deliveries necessary to the Group's business on time or at sufficient levels. There can be no assurance that the Group will be able to withstand losses relating to such risks.

Through FCC and KazAgroProduct, the Group moves agricultural produce and livestock between the regions of Kazakhstan as needed to address shortages in the domestic market. As a result, the Group depends on certain critical items of machinery and equipment, particularly in relation to taking delivery of, and drying, storing and transporting, crops and taking delivery of, and feeding, housing and transporting, livestock. These vehicles, machinery and equipment may, on occasion, be out of service as a result of unanticipated failures. In addition, the Group depends on various IT systems to run the handling arm of its storage business, monitor its operations and check the quality of produce, in particular when produce first arrives at the Group's facilities, and failure of these systems could impact its operations. Any interruptions in its handling capability, any transport, machinery or equipment breakdowns or failures, or the loss of stored crops or storage capacity may require the Group to incur significant expenses to remedy the situation, force it to sell crops at a sub-optimal time or require it to move produce to other facilities at additional cost, which could have a materially adverse effect on the Group's business, results of operations and financial condition.

In addition, the Group's storage facilities are heavily dependent on fuel, including diesel and natural gas, and the Group's needs for fuel are expected to increase in light of its expansion plans. In addition, transporting agricultural produce requires access to appropriate forms of transport which are dependent on fuel. The price of fuel fluctuates significantly over time. Any such increases in fuel prices may increase the Group's costs, either directly for the fuel that it purchases or indirectly as its third-party suppliers and haulers attempt to push their increasing production and service costs onto the Group, which could result in reduced profitability for the Group. In addition, the Group and its third-party suppliers are dependent on third parties for the supply of fuel, and such supply may be disrupted. Any increases in the cost of fuel, or any disruption in the supply of fuel, could have a material adverse effect on the Group's business, results of operations and financial condition.

Sanctions

The U.S. government imposes economic sanctions and trade embargoes ("**U.S. Economic Sanctions**") with respect to certain countries in support of its foreign policy and national security goals. These laws and regulations are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"), and in certain instances by the U.S. Department of State ("**State**"). U.S. Economic Sanctions impose restrictions on U.S. persons and, in certain circumstances, non-U.S. persons with respect to activities or transactions with certain countries, governments, entities or individuals that are the target of U.S. economic sanctions. U.S. persons also are prohibited from facilitating such activities or transactions, and non-U.S. persons are prohibited from causing other persons to violate applicable prohibitions. As of the date of this Base Prospectus, Cuba, Iran, North Korea, Sudan and Syria are subject to comprehensive OFAC sanctions. Other countries such as Belarus, Burma, Ivory Coast, Lebanon, Russia, Ukraine, Somalia, and Zimbabwe are subject to more limited sanctions targeting specific entities and individuals. In particular, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, the National Defense Authorization Act for Fiscal Year 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012, the Iran Freedom and Counter-Proliferation Act of 2012, the National Defense Authorization Act for Fiscal Year 2013, and other similar laws, regulations and executive orders (collectively, "**Iran Sanctions**") allow for the imposition by the U.S. government of sanctions against non-U.S. entities for specified transactions or dealings with or relating to Iran. The United Kingdom, the other Member States of the European Union (the "**European Union**" or "**EU**") and various other countries, as well as the United Nations, have also implemented measures aimed at prohibiting or restricting engagements in financial and other dealings with Iran and other sanctioned countries.

FCC's wholly-owned subsidiary, Ak-Biday Terminal JSC, holds a 50% interest in a grain transhipment terminal located in the port of Amirabad in Iran. See "*Business—Principal Business Activities—FCC—Purchase, Collection, Storage and Distribution Operations*".

While the Group has not engaged in, and does not expect to engage in, any actions that would cause it to be sanctioned by any relevant authority, there can be no assurance that the Group will not be sanctioned in the future. If the Group were to conduct such activities in the future and were to be sanctioned as a result, some of its investors, both in the United States and in other jurisdictions where sanctions similar to the U.S. Economic Sanctions apply, may be required (by operation of law or regulations or under internal investment policies, or both) to divest their interests in the Notes. Moreover, under such circumstances, other investors, both U.S. investors and non-U.S. investors, may decide for reputational reasons or otherwise to divest their interests in the Notes. In addition, certain counterparties, including various sources of funding for the Group, may be prohibited from contracting with members of the Group, and some potential investors may forgo the purchase of Notes. Any of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks relating to the Group's Loan and Lease Portfolios and Investment Projects

Credit Quality

The Group has experienced in the past and continues to experience significant impairment charges. For the year ended 31 December 2013, the Group recorded an impairment charge for interest earning assets of KZT 6,036,475 thousand

and other impairment charges of KZT 1,158,199 thousand, compared to impairment charge for interest earning assets of KZT 11,160,195 thousand and other impairment charges of KZT 2,272,085 thousand for the year ended 31 December 2012 and impairment charge for interest earning assets of KZT 3,701,889 thousand and a reversal of other impairment charges of KZT 300,270 thousand for the year ended 31 December 2011. The decrease in impairment charge for interest earning assets in 2013 was primarily attributable to a decrease in the Group's impairment charge on loans to customers as a result of the strengthening of the Group's loan repayment procedures and the absence of significant loss events in 2013, while the decrease in other impairment charges was due to a decrease in impairment charges on property, advances paid and account receivables in 2013. The increase in impairment charge for interest earning assets in 2012 was primarily due to the increased impairment on loans to customers as a result of the recording of provisions on two historical loans, while the other impairment charges recorded in 2012 were primarily due to impairments on accounts receivable, advances paid, assets held for finance leasee and property. There can be no assurance that the Group will not be required to record additional impairment charges in the future and that such impairment charges will not further increase as the Group's loan and finance leasing activities grow. The incurrence of additional impairment charges may adversely impact the Group's net profit.

The Group provides funding exclusively to borrowers and lessees operating in the agricultural sector and to the rural population. Bad harvests, unexpected adverse changes in growing conditions, outbreaks of diseases and other factors affecting the agricultural sector all increase the risk of the Group experiencing future impairment charges. Moreover, the maturity profile of the Group's lending and finance leasing portfolios has lengthened in recent years. Credits extended for longer periods are often considered to be at higher risk and could, accordingly, require the Group to record additional impairment charges over time. Any requirement for the Group to record significant additional impairment charges could result in a material adverse effect on the Company's business, results of operations and financial condition.

Growth in Loan, Leasing and Investment Portfolios

Continued growth of the Group's loan and finance leasing portfolios is, to an extent, dependent upon the availability of funds allocated by the Government to finance specific funding programmes and investment projects on concessional or better-than-market terms, the ability of the Group to borrow in the domestic and international markets and the ability of the Group to attract and retain qualified personnel and to train new personnel to monitor asset quality. Failure by the Group in any of these areas could limit the Group's ability to increase the size of, and to maintain the quality of, its loan and finance leasing portfolios and, accordingly, could have a material adverse effect on the Company's business, results of operations and financial condition.

Past Due But Not Impaired and Restructured Loans and Finance Leases

As at 31 December 2013, 1.0% of the Group's total gross loans outstanding to customers were classified as past due but not impaired loans overdue by more than 90 days, compared to 9.8% and 9.9% as at 31 December 2012 and 2011, respectively. In addition, as at 31 December 2013, 2.4% of the Group's total gross finance leases were classified as past due but not impaired finance leases overdue by over 90 days compared to 2.5% and 1.7% as at each of 31 December 2012 and 2011, respectively.

Management considers that, due to the seasonal nature of the business of the Group's customers, loans and finance leases, which are overdue by over 90 days, are not necessarily the most appropriate indicator of the borrowers' or lessees' ultimate ability to repay amounts due in the longer-term. Factors adversely affecting the agricultural sector in Kazakhstan, such as the drought in 2012, which resulted in harvests in those years with low grain yields and, in turn, adversely affected the ability of some of the Group's customers to meet payment obligations under loans and finance leases extended by the Group may be more determinative of customer performance. Bad harvests in future years may further increase the amount of the Group's past due but not impaired loans and finance leases. Any increase in the amount of past due but not impaired loans and finance leases could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

The Group has a policy of being flexible with its borrowers when factors beyond their control adversely affect their ability to repay the Group's loans and finance leases; this may involve negotiating a restructuring of obligations or rescheduling payments, rather than proceeding with foreclosure or other enforcement remedies at law. If the Group restructures a significant number of its loans or finance leases; this could have a material adverse effect on the Group's business, results of operations and financial condition.

Credit Risk Policies

The Group generally provides loans and finance leases to customers at rates and for terms that are not otherwise offered in the market and, with respect to Government financed lending and leasing programmes, on terms set by the Government and the Ministry of Agriculture over which the Group has little or no control. There can also be no assurance that the State will not require the Group to participate in new or amended programmes, which could conflict with the Group's existing credit policies, or that the Group's credit policies are or will be sufficient to mitigate the risks involved in making loans and leases in an emerging market, such as Kazakhstan, and in the agricultural sector of Kazakhstan in particular. The Group's borrowers may find their financial condition affected by events in Kazakhstan's economy and its agricultural sector, which could, in turn, adversely affect their ability to service loans and finance leases extended by the Group fully and on time, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Loan, Leasing and Investment Portfolio Concentration

The Group's loan and finance leasing portfolios are exposed to the agricultural sector and rural population in Kazakhstan. As at 31 December 2013, 100% of total loans to customers comprised loans to customers operating in the agricultural industry and 100% of total loans to customers comprised loans to customers in Kazakhstan. In addition, as at 31 December 2013, 100% of total finance lease receivables due from customers were from customers operating in the agricultural industry located in Kazakhstan. Furthermore, as at 31 December 2013, the Group had a concentration of loans represented by KZT 28,943,441 thousand, or 12.9% of total gross loans to customers, from the ten largest third-party entities, compared to KZT 38,886,161 thousand, or 22.3% of total gross loans to customers, and KZT 45,265,285 thousand, or 27.4% of total gross loans to customers, as at 31 December 2012 and 2011, respectively. As at 31 December 2013, the Group had a concentration of finance lease receivables represented by KZT 22,589,927 thousand, or 17.0% of total finance lease receivables, from the ten largest independent parties, compared to KZT 19,862,620 thousand, or 19.8% of total finance lease receivables, and KZT 15,435,582 thousand, or 20.5% of total finance lease receivables, as at 31 December 2012 and 2011, respectively. The high degree of concentration of the Group's credit portfolio increases the potential negative impact on the Group in the event of a default by one of the Group's larger customers than would be the case if the credit portfolio had a more diversified portfolio of loans to established clients, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

The cyclical and seasonal nature of the agricultural sector may potentially cause volatility in the liquidity and cash flows of the Group's borrowers and lessees, which, in turn, may adversely affect their ability to fulfil their obligations under loans and finance leases granted by the Group fully and on a timely basis. In addition, the Group's leasing portfolio generally consists of relatively expensive equipment, which may be difficult to resell if any lessee defaults. As a result, the Group may experience higher losses in its loan and leasing portfolio than would be the case if it had a more diversified portfolio of lending to established and varied businesses, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Collateral Value

The Group typically requires collateral from all borrowers. The main types of collateral accepted by the Group include: charges over real estate properties, agricultural equipment, inventories and third-party bank and corporate guarantees. The Group also accepts security by way of third-party guarantees, provided that such guarantees meet the Group's requirements. Downturns in the Kazakhstan economy generally or the agricultural or other sectors in particular or a general deterioration of global economic conditions may result in reductions in the value of collateral securing the obligations of customers under the loans and finance leases extended to them by the Group to levels below the amounts of the outstanding principal and accrued interest due. A failure to recover the expected value of collateral may expose the Group to losses, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Long-Term Projects

The Group provides financing for long-term projects in the agricultural sector. Long-term project financing can expose the Group to certain risks if such projects are not successful and the projects may be entered into on terms that would not be acceptable to commercial banks. The macro-economic and political risks inherent in emerging economies, such as Kazakhstan, and other risks, such as commodity price fluctuations, characterising the agricultural sector in particular, could have a significant effect on the success or failure of these projects and it is difficult to predict, at the outset of a project all of the factors which may affect it in the long-term. The main risks are likely to be that a project will not be completed within the agreed timeframe, or on budget, or that it may fail altogether. There is also the risk that, if an event of default occurs under a long-term project, the collateral provided may not be sufficient to cover the value of the loans. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations and financial condition.

Lack of Reliable Information and Risk Assessments

Kazakhstan's system for gathering and publishing statistical information relating to its economy, specific economic sectors, and corporate or financial information relating to companies and other economic enterprises, is not as comprehensive as that of countries with established market economies. Thus, the statistical, corporate and financial information, including the audited financial statements, available to the Group relating to its corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. The Group does not have any automated group-wide system for sharing credit information on borrowers and lessees between its subsidiaries and, instead, relies on credit information from the National Credit Bureau, which is generally not as comprehensive as that available from similar agencies in countries with more established market economies. The absence of accurate statistical, corporate and financial information may decrease the accuracy of the Group's credit risk assessment. Moreover, few of the Group's borrowers, in particular, Kazakh individuals, have documented credit histories. Similarly, there may be little historical information available about many of the longer-term development projects in which the Group invests. As a result, the Group must rely primarily on information provided by its borrowers and the sponsors or operators of its investment projects in making credit decisions. Based on such information, the Group may be unable to evaluate correctly the current economic condition of each prospective borrower or project and to determine the related long-term outlook for repayment of amounts made available by it. Any failure to assess accurately the credit risk of potential borrowers or projects or any deterioration in the financial condition of a significant number of the Group's clients because of a general economic downturn in Kazakhstan, economic declines in the agricultural sector or for any other reason could increase the risk of borrower default, decrease the likelihood that the Group would be able to enforce any collateral held or decrease the likelihood that the relevant collateral has a value commensurate to the loan secured by it, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Access to Third-Party Funding

In addition to loans at concessional rates made by the Government and to capital contributions made by the Company's shareholder, the Group receives funding from banks and other financial institutions. As at 31 December 2013, 2012 and 2011, funding from banks and other financial institutions, as a percentage of the Group's total liabilities, represented 17.0%, 32.4% and 26.5%, respectively. A number of factors, many of which are outside the Group's control, may affect the Group's ability to obtain such funding in the future, including, inter alia, the condition of the Kazakhstan and international banking sectors, the condition of the international capital markets, capital controls that are or may be imposed globally or locally, the willingness of multilateral institutions to fund specific projects, the actual and perceived economic conditions in Kazakhstan and the Group's financial condition.

Accordingly, there can be no assurance that the Group will be able to continue to satisfy all or part of its funding requirements through amounts provided by banks and other financial institutions or through issuances of debt securities. There can also be no assurance that the Government will provide adequate support through capital or loans should such alternative funding methods not be available. To the extent that banks and other financial institutions are unwilling or unable to continue to provide sufficient funding to the Group, or the Group is not able to raise such financing through the issuance of debt securities or increased funding by the Government, the Group may not be able to access alternative sources of funding to compensate for any shortfall in funds. Accordingly, any reduction in the amount of such funding provided to the Group could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the terms on which banks and other financial institutions provide funding or any other commercial funding sources will likely be less favourable to the Group than the terms of the concessional-rate loans it currently receives from the National Fund and the State Budget. Additional costs associated with the Group increasing its exposure to such funding may result in the Group experiencing lower profit margins, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition

Interest Rate Risk

The Group is exposed to risks resulting from mismatches between the interest rates on its interest-bearing liabilities and its interest earning assets. From time to time, the maturities of the Group's assets and liabilities are not balanced and, accordingly, an increase or decrease in interest rates or volatility in interest rate movements could have a material adverse effect on the Group's net interest margin and results of operations. To the extent that the Group's assets reprice more frequently than its liabilities, if interest rates fall, the Group's interest expenses will decrease more slowly than its interest income, which could negatively affect interest margins and result in liquidity problems. In addition, the Government grants loans to the Group at concessional rates. There can be no assurance that the Group will continue to benefit from such loans in the future. The Group's ability to mitigate interest rate risks is, accordingly, limited. Any failure to mitigate or manage interest rate risk could have a material adverse effect on the Group's business, results of operations and financial condition.

Other Business Risks

Holding Company Structure and Structural Subordination

The Company is a holding company and conducts its operations through its subsidiaries. The Company holds no significant assets other than capital contributions and shareholder loans to its subsidiaries and it is therefore dependent upon the receipt of interest income on intercompany loans and, to a lesser extent, dividends from its subsidiaries to meet its obligations. The Company's subsidiaries may from time to time be subject to restrictions on their ability to make dividend payments to the Company as a result of regulatory, fiscal and other restrictions. In particular, all subsidiaries engaged in lending or finance leasing activities, which are licensed by the NBK, may not declare dividend payments if, as a result of such payments, the subsidiary would then be in breach of the prudential norms set by the NBK. Moreover, the debt of the Group is held at both the level of the Company and the level of its subsidiaries. Although the terms and conditions of the Notes do include a limitation on the incurrence of indebtedness by the Group overall, there is no restriction on the proportion of indebtedness, to the extent permitted, which may be incurred at the level of the Company's subsidiaries. Noteholders will be structurally subordinated to the creditors of the Company's subsidiaries, in that the Company's ability to benefit from the distribution of any assets upon the liquidation of any of its subsidiaries will be subject to the prior claims of that subsidiary's creditors. A decrease in dividend or interest income from the Company's subsidiaries or the insolvency or liquidation of one or more of the Company's subsidiaries may have a material adverse effect on the ability of the Company to service its obligations under the Notes or on the Group's business, results of operations and financial condition.

Regulation

FCC, KAF, the Fund and ACC are regulated by the NBK and in particular FMSC, through which they hold banking licenses. The procurement process of the Company is regulated by the Resolution of the Government "On Approval of the Standard Rules for Procurement of the Goods and Services by the National Management Holding, National Holdings, National companies and Organizations Fifty per cent of which Capital is owned directly (beneficiary) by the National Management Holding, National Holdings, National Companies" No 787 dated 28 May 2009 (the "**Resolution 787**"). The Company, by way of a Resolution of the Board of Directors, approved its own procurement rules on 26 July 2013. Each of the Company's subsidiaries has prepared and implemented similar rules of procurement based on Resolution 787, applicable FMSC and NBK guidelines and regulations regarding the rendering of banking services and other relevant laws and regulations. However, the Company's subsidiaries may be subject to fewer regulatory controls than commercial banks. The Company and its subsidiaries were established as Kazakhstan Joint Stock Companies, which do not require a banking license. Such Joint Stock Companies are also subject to the NBK's applicable joint stock companies regulations. There can be no assurance that the current regulatory regime will not change or that the Government will not implement other regulations or policies or adopt new or modified legal interpretations of existing regulations or policies, relating to or affecting taxation, interest rates, inflation or exchange controls, or otherwise take action that could have a material adverse effect on Group's business, results of operations and financial condition.

Information Systems Risk

The Group relies on information systems to conduct its business. Any failure or interruption in or breach of security of these systems could result in failures or interruptions in the Group's risk management, loan origination systems or errors in its accounting books and records. The Company's subsidiaries do not currently have any separate disaster recovery systems and certain of its current IT systems are relatively outdated. If the Group's information systems failed, it might be unable to serve its customers' needs on a timely basis. Likewise, a temporary shutdown of the Group's information systems may result in the Group incurring costs associated with information retrieval and verification. In addition, the Group's systems may be subject to Internet attacks and the Group's systems could prove inadequate to protect against such future attacks.

No assurance can be given that such failures, interruptions or attacks will not occur. Accordingly, the occurrence of any failures or interruptions in the Group's systems, or any failure to implement properly any systems, could have a material adverse effect on the Group's business, results of operations and financial condition.

Shortage of Qualified Personnel and Changes in Management

There is a considerable shortage of adequately qualified personnel in Kazakhstan, particularly in such areas as risk management. If the shortage of adequately qualified personnel persists, the Group's ability to offer the desired range and volume of services and maintain the quality of its assets may be affected, which may in turn, have a material adverse effect on the Group's business, results of operations and financial condition. In addition, a continued shortage of adequately qualified personnel may require the Group to offer additional financial and other incentives to retain its existing personnel, and recruit additional personnel, which would increase the Group's expenses.

The Group's ability to successfully manage its lending and finance leasing portfolios and to develop its product range, whilst keeping within appropriate risk limits places greater dependency on the Group's ability to recruit, develop and rely upon a core group of highly trained and experienced personnel. There is a shortage of qualified personnel with such experience in the Kazakhstan banking market and considerable competition for such personnel from the private commercial sector where traditionally wages and benefit packages are higher. In addition, as the Group's business continues to grow and develop, although it has no immediate plans for increased headcount, it may in the future have to recruit additional personnel.

Labour costs in Kazakhstan have historically been lower than labour costs in more developed countries. However, if wages and related costs were to increase in Kazakhstan, the Group's profitability could be reduced. The Group may need to increase the level of employees' compensation at a higher rate than it has done in the past in order to remain competitive, and this, in turn, would increase the Group's expenses.

A failure to successfully manage its personnel needs may have a material adverse effect on the Group's business, results of operations and financial condition.

The Board of Directors experienced significant changes in 2012 and 2013 following changes in the Government. Although the Group's businesses have not been negatively impacted by such changes, any future significant changes in the Group's senior management, either in connection with future changes in the Government or otherwise, could result in a loss of business continuity, which may, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's Business may be Affected by Labour Disruptions

Although management believes that the Group's present labour relations are generally good and the Group's employees are not currently unionised, there can be no assurance that a work slowdown, a work stoppage or a strike will not occur. Work slowdowns, stoppages or other labour-related developments could have a material adverse effect on the Group's business, results of operations and financial condition.

Breach of Covenants

The Company and certain of the Group's subsidiaries have entered into debt securities and loan agreements with third-party lenders which require the Group, among other things, to perform covenants. Any breach of these covenants by the Group would constitute an event of default under these loans and, the lenders, subject to the terms of the applicable loan agreement, could require the immediate repayment of such loans, including all accrued interest, in addition to a pre-payment premium. Any requirement for immediate repayment of these loans with a pre-payment premium could have a material adverse effect on the Group's business, results of operations and financial condition.

Internal Controls

The Group's internal controls may not be as advanced as those of companies in more developed countries. The Group's management information system, financial reporting function and system of internal controls relating to the preparation of IFRS financial statements may be less developed in certain respects, and may not provide management with as detailed or as accurate information, as those of companies in more developed markets. The lack of implementation of Group-wide automated accounting and reporting systems and the more limited management accounts that are available in comparison to those prepared by companies in more developed countries may make the Group's financial information less reliable than that of companies that have implemented these systems. These shortcomings could adversely impact the quality of decision making by the Group's senior management due to delays in producing complete management accounts on a basis consistent with IFRS. The preparation of annual or interim IFRS consolidated financial statements may require more time for the Group than it does for companies in more developed countries. If for any reason the Group failed to maintain an adequate management information system, financial reporting function or system of internal controls, or experienced delays in preparing IFRS consolidated financial statements, this could have a material adverse effect on the Group's business, results of operations and financial conditions.

However, management believes that they are sufficient to permit the Company to comply with its ongoing obligations as a company whose Notes are listed on the Main Securities Market of the Irish Stock Exchange.

Credit Rating Downgrade

Rating agencies regularly evaluate the Company, and their ratings of longer-term debt are based on a number of factors, including the Company's financial strength as well as factors not entirely within the Company's control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the Company will maintain its current ratings. For instance, on 8 April 2014, Fitch placed the Company on Rating Watch Negative as a result of the increasing reliance of the Company on foreign currency debt. Downgrades of the Company's longer-term credit ratings could lead to additional collateral posting and cash outflow. The Group relies on the Company's credit rating to raise funds, including foreign currency debt. Any downgrade of the Company's longer-term credit rating or negative change in the outlook thereof may result in increased borrowing costs for the Group, a reduction in access to the capital markets (partially or completely) or a reduction in liquidity, any or all of which could materially adversely affect the Company's results of operations, financial condition or prospects.

Risks relating to the Republic of Kazakhstan

The Group is subject to risks, including risks specific to Kazakhstan, but not limited to, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in energy prices, changes with respect to taxes, withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property and interruptions or embargos on the export of agricultural products. The occurrence of any of these factors or any of the factors described below could have a material adverse effect on the Group's business, results of operations and financial condition.

Emerging Markets Risks

The disruptions experienced in recent years due to the impact of the global financial and economic crisis in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in emerging markets such as Kazakhstan may be particularly susceptible to such disruptions, reductions in the availability of credit and increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by the level of investor confidence in such markets as a whole and, as such, any factors that affect investor confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Investors in emerging markets such as Kazakhstan should be aware that these markets are subject to greater risk than more developed markets, including, in some cases, significant legal, economic and political risks. For example, the recent crisis in the region of Crimea and related events may have an adverse effect on the economic climate in Russia, which could in turn, have a "contagion effect" on the economies in the region, and in particular Kazakhstan, which is a close trading partner to Russia. Should the crisis in Crimea continue or new or escalated tensions between Russia and Ukraine or other countries emerge, or should new economic or other sanctions, such as limitations on trade, in response to such crises or tensions be imposed, this could have a further adverse effect on the economies in the region, including the Russian economy, and companies active in the region. Investors should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Financial problems or an increase in the perceived risks associated with investing in emerging economies may dampen foreign investment in Kazakhstan and adversely affect Kazakhstan's economy. In addition, during such times, companies operating in emerging markets can face severe liquidity constraints as foreign funding resources are withdrawn. Thus, whether or not Kazakhstan's economy is relatively stable, financial turmoil in any emerging market country, in particular those in the CIS or Central Asian regions which have recently experienced significant political instability (including terrorism), could seriously disrupt the Group's business, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Economic and Political Conditions Prevailing in Kazakhstan

Nearly all of the Group's operations are conducted, and nearly all of its assets are located, in Kazakhstan; therefore, the Group is heavily dependent on the economic and political conditions prevailing in Kazakhstan. Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan, under President Nursultan Nazarbayev, has experienced significant changes as it emerged from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a stagnant economy and high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. However, Kazakhstan actively pursued a programme of economic reform designed to establish a free market economy through privatisation of Government-owned enterprises, liberalisation of capital controls, tax reforms and pension system development and it is more advanced in this respect than some other countries of the former Soviet Union. Kazakhstan has continued to move toward a market-oriented economy and was awarded the chairmanship of the Organisation for Security and Co-operation in Europe ("**OSCE**") for the calendar year 2010. If the current administration changes its policies or, in the event of a change in administration, such future administration has different policies, the economy in Kazakhstan could be adversely affected. Changes in Government policy could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, despite the changes in the political, legal and economic environment in Kazakhstan since it its independence, there have been allegations that Government officials have engaged in selective investigations and prosecutions of businesses and their management, boards of directors and shareholders in order to further pursue the interests of the Government, certain Government officials or other business groups. These allegations of corruption in Kazakhstan, could negatively impact the business climate in Kazakhstan and customers' willingness to do business in Kazakhstan, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including wheat, oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead and zinc. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy. Moreover, adverse economic factors in regional markets may also adversely impact the economy.

In addition, Kazakhstan could be adversely affected by political unrest in the region, such as that experienced by the neighbouring country of Kyrgyzstan in 2010. Additionally, like other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or military or other action taken against sponsors of terrorism in the region. Since the dissolution of the Soviet Union, a number of former Soviet Republics have experienced periods of political instability, civil unrest, military action and popular changes in governments or incidents of violence.

Kazakhstan has had only one president, Nursultan Nazarbayev, who will be 74 years old on 6 July 2014. Under President Nazarbayev's leadership, the foundations of a market economy have been laid down as described above and the country has been largely free from political violence. In 2007, Kazakhstan's Parliament amended Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of consecutive re-elections. The 2007 amendment permitted President Nazarbayev to seek re-election at the end of his term in 2011 and in April 2011, he was re-elected with 95.5% of the vote for a new five-year term.

Given that Kazakhstan has not had a presidential succession and that there is no clear successor to Mr Nazarbayev, the issue is a potential cause of instability and there can be no assurance that any succession will result in a smooth transfer of office and a continuation of current economic policies. Thus, should he fail to complete his current term of office for whatever reason or should a new president be elected at the next election, Kazakhstan's political and economic environment could become unstable, particularly if such successor has a different political outlook or agenda, and the investment climate in Kazakhstan could deteriorate, which would have a material adverse effect on the Group's business, results of operations and financial condition.

According to NSA data, following a slowdown in 2010, GDP began to recover, growing in real terms by 7.5% in 2011, 5.0% in 2012 and 6.0% in 2013. This data demonstrates signs of economic recovery, although there can be no assurance that growth will continue indefinitely.

Kazakhstan's Banking Industry

The global economy and financial system have experienced a period of significant turbulence, uncertainty and disruption since September 2007, which has severely impacted general levels of liquidity and availability of credit together with the terms on which credit is available. Governments around the world, including that of Kazakhstan, have sought to inject liquidity into banking systems and to recapitalise their banking sectors to reduce the risk of systemic failure and increase confidence in the financial markets.

This market disruption has also been accompanied by a slowdown in many economies, including that of Kazakhstan in 2008 and 2009. The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Kazakhstan banks have previously relied heavily on such financing and deposits as a source of funding. The high dependence on capital market funding poses a significant refinancing risk for both individual banks and the banking system as a whole. Wholesale debt financing has now become significantly more expensive. In addition, the banking sector in Kazakhstan has been burdened by high levels of non-performing assets and non-performing loans ("**NPLs**") across the sector remains high at over 31.2% of total loans as at 1 January 2014 according to FMSC data. See "*—Risks relating to the Group's loan and lease portfolios and investment projects—Non-Performing Loans*" and "*Banking Sector in Kazakhstan*".

The NBK and the Government have taken steps to support the Kazakhstan banking sector. Such steps include the provision of short term liquidity support, the deposit into local commercial banks of temporary excess cash of enterprises wholly or partially owned by the Government or controlled by the NBK and the establishment by the Government of a Distressed Assets Fund to buy non-performing assets of commercial banks. If the NBK and the Government were to withdraw their liquidity support, it would lead to decreased overall liquidity in the Kazakhstan banking sector.

The Kazakhstan banking system remains under stress with banks seeking to de-leverage through partial repayments and debt restructurings. In addition, loan quality in Kazakhstan remains poor and NPLs have not shown significant signs of improvement, notwithstanding signs of improvement in the Kazakhstan economy. According to FMSC data, in 2010, JSC BTA Bank ("**BTA Bank**"), JSC Alliance Bank ("**Alliance Bank**") and JSC Temirbank ("**Temirbank**") each completed the process of the initial restructuring their debts, although BTA Bank continues to face difficulties. The first restructuring of Alliance Bank, which was completed on 28 April 2010, resulted in the restructuring or cancellation of over U.S.$4.5 billion of Alliance Bank's financial indebtedness. The first Temirbank restructuring, which was announced on 30 June 2010, resulted in the restructuring of approximately U.S.$1.5 billion of Temirbank's financial indebtedness and the first BTA Bank restructuring, which was completed on 31 August 2010, resulted in the restructuring of approximately U.S.$16.7 billion of BTA Bank's indebtedness. According to regulatory filings, the debts of JSC Astana Finance are still in the process of being restructured. As a result of the global financial crisis and their respective debt restructurings, all three banks currently have the majority of their shares in indirect state ownership. In January 2012, BTA Bank announced that it had failed to make an interest payment due to the holders of senior notes issued as part of the restructuring it completed in 2010 and has subsequently agreed terms for a second restructuring completed in 2012. On 31 January 2014, Alliance Bank announced that its Board of Directors also held a resolution on the commencement of the second restructuring of Alliance Bank's indebtedness.

Moreover, Samruk-Kazyna, as the major shareholder of BTA Bank, Alliance Bank and Temirbank, agreed to sell 46.5% of shares in BTA Bank to JSC Kazkommertsbank ("**Kazkommertsbank**") and Mr Kenes Rakishev (each of the buyers are purchasing 46.5% of shares in BTA Bank and the remaining 4,26% of shares held by Samruk-Kazyna in BTA Bank's share capital will be transferred to Kazkommertsbank for trust management), 79,88% of common shares in Temirbank to Mr Bulat Utemuratov, and 16% of common and preferred shares in Alliance Bank to Mr Bulat Utemuratov. Although none of these transactions has been closed yet, it is anticipated that after their closure Samruk-Kazyna will remain the controlling shareholder only in Alliance Bank.

The negative impact of the continuing problems in the banking sector may affect the willingness of foreign investors and banks to consider lending to, or investing in, Kazakhstan banks, including the Group's banking subsidiaries, which could have an adverse effect on the Group's ability to attract finance from foreign financial institutions. It is also uncertain what impact the on-going problems in the sector may have on investors' perceptions of Kazakhstan. Such problems could have a negative impact on the country's sovereign credit rating or other adverse developments, which could, in turn, have a material adverse effect on the Group’s business, results of operations and financial condition. See also “*—Banking Sector in Kazakhstan*”.

Impact of External Factors on Kazakhstan’s Economy

Factors outside Kazakhstan have also had an impact on Kazakhstan’s economy, specifically the finance and banking sector. For example, in February 2009, S&P downgraded the credit ratings of five of Kazakhstan’s largest commercial banks, while Moody’s downgraded the bank financial strength ratings of six banks. At the time, the rating agencies stated that these downgrades were the consequence of the increasingly negative impact of the global economic crisis on the Kazakhstan economy and its financial institutions and specifically mounting asset quality and liquidity problems and the inability of Kazakhstan banks to refinance their large foreign wholesale debt in large part because of the devaluation of the Tenge in February 2009. Several commercial banks in Kazakhstan experienced difficulty in refinancing maturing international debt and, as a result, sought short-term funding from the NBK and substantially limited their issuances of new loans. Pursuant to the terms of financial stability legislation adopted by the Government in February 2009, two of Kazakhstan’s largest banks, BTA Bank and Alliance Bank, were effectively nationalised by the Government in the wake of the new fiscal stability legislation. BTA Bank completed its first restructuring on 31 August 2010, whilst Alliance Bank completed its restructuring in April 2010. In January 2012, BTA Bank failed to make an interest payment due to the holders of senior notes issued as part of the restructuring it completed in 2010 and has subsequently agreed terms for a second restructuring completed in December 2012. The restructured banks are still in the relatively early stages of their post-restructuring operations, however, and there can be no assurance that the restructuring efforts in respect of the Kazakhstan financial sector will ultimately be wholly successful and it is not clear what impact the crisis and the subsequent restructurings will ultimately have on the prospects of Kazakhstan’s banks and their customers. Thus, on 31 January 2014, Alliance Bank’s Board of Directors held a resolution on commencement of the second restructuring of Alliance Bank’s indebtedness. The housing and construction industries and small and medium sized enterprises ("**SMEs**") have been particularly affected while larger companies, subsoil use companies and State-owned companies have continued to have access to offshore funding albeit on a more limited basis and on less favourable terms.

Kazakhstan has maintained a stable credit rating since April 2010. Any downgrade, however, is likely to result in a downgrade of the Company’s ratings. Any future downgrade of Kazakhstan’s sovereign credit rating and liquidity problems in Kazakhstan’s economy could adversely affect its economic development, which could in turn, materially and adversely affect the Group’s business, results of operations and financial condition.

Effect of Currency Control Law on the Company’s Foreign Currency Dealings

In July 2009, the President of Kazakhstan signed a law on the introduction of various amendments to Kazakhstan’s currency control legislation, which came into force as at 10 August 2009. The amendments empower the President, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special currency regime that would (i) require the compulsory sale of foreign currency received by Kazakhstan residents; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorised bank or the NBK; (iii) restrict the use of accounts in foreign banks; (iv) limit the volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the NBK for conducting currency transactions. Moreover, the President may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the International Monetary Fund, the new currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Base Prospectus, the President has not invoked the provisions of these amendments. Accordingly, it is unclear how any implementation of the currency regime would ultimately impact the Group. However, significant restrictions on the Group’s foreign currency dealings could have a material adverse effect on the Group’s business, results of operations and financial condition.

Uncertain Outcome of the Implementation of Further Market Based Economic Reforms

The Government’s privatisation programme is driven by the need for substantial investment in many enterprises. The programme has, however, excluded certain enterprises deemed strategically significant by the Government and there remains a need for substantial investment in many sectors of the Kazakhstan economy, including business infrastructure. Further, the significant size of the shadow economy (or black market) in Kazakhstan may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to address these problems by improving the business infrastructure and tax administration and by continuing the privatisation process. There can be no assurance, however, that these measures will be effective or that any failure to implement them may not have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations. In addition, there can be no assurance that the Government would not seek to privatise all or a significant portion of the Group, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Dependence on Export Trade and Commodity Prices

As Kazakhstan is negatively affected by low commodity prices, particularly in respect of the oil and gas sector, and economic instability elsewhere in the world, the Government has promoted economic reform, inward foreign investment and the diversification of the economy. The Government established the National Fund of Kazakhstan in 2000 (the "**National Fund**") to support the financial markets and the economy of Kazakhstan in the event of any sustained drop in oil revenue. Notwithstanding these efforts, weak demand in its export markets and low commodity prices, especially with respect to the oil and gas industry, may adversely affect Kazakhstan's economy in the future, which may materially adversely affect the Group's business, prospects, financial condition, cash flows or results of operations. Most of the Group's operations are conducted, and a substantial part of its assets are located, in Kazakhstan; therefore, the Group is largely dependent on the economic and political conditions prevailing in Kazakhstan. See "*—Economic and political considerations prevailing in Kazakhstan*".

The decline in world prices for oil and other commodities from 2008 through early 2009 had a negative impact on the growth prospects of the Kazakhstan economy. The national budget for 2009 to 2011 initially projected revenue on the basis of world oil prices of U.S.$60/bbl. These projections, which were initially revised to U.S.$40 per barrel in light of the continuing decline in world oil prices, were further revised to U.S.$50 for 2009-2010 and U.S.$60 for 2011-2014 as the price of oil began to recover. Although Brent crude oil prices increased overall in 2012 to a maximum of U.S.$116.67/bbl, reflecting a 14.9% increase from prices at the end of December 2011, there can be no assurance that further revisions of the national budget will not be required in light of continuing oil price volatility.

While GDP has continued to grow in real terms following the adoption of a floating exchange rate policy in April 1999, there can be no assurance that GDP will continue to grow and any slowdown in GDP growth could adversely affect the development of Kazakhstan and, in turn, the Group's business, results of operations and financial condition.

Dependence on Oil Exports, Foreign Investment and the Overall Condition of the Global Oil Industry

Countries in the Central Asian region, such as Kazakhstan, whose economies and state budgets rely on the export of oil and oil products and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by volatility or a sustained decline in oil and other commodity prices or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects. In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in earnings from U.S. Dollar-denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which, in turn, could indirectly have an adverse effect on the business, results of operations and financial condition of the Group.

Evolving Nature of Kazakhstan's Legislative, Tax and Regulatory Framework

Although a large volume of legislation has been enacted since early 1995 (including new tax codes in January 2002 and January 2009, laws relating to foreign arbitration and foreign investment, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, and State enterprise reform and privatisation), the legal framework in Kazakhstan is still evolving compared to countries with established market economies.

The judicial system, judicial officials and other Government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been instances of improper payments being made to public officials. Therefore, court decisions can be difficult to predict and administrative decisions have on occasion been inconsistent. Kazakhstan is a civil law based jurisdiction and, as such, judicial precedents have no binding effect on subsequent decisions.

Further, the legal and tax authorities may make arbitrary judgments and assessments of tax liabilities and challenge previous judgments and tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the tax code introduced with effect from 1 January 2009 (the "**2009 Tax Code**"), as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially more significant than those in jurisdictions with a more developed legal and tax system.

Kazakhstan's tax system is still in a transitional phase and no assurance can be given that new taxes and duties or new tax rates will not be introduced during the life of the Programme. Further changes in the withholding tax regime may give the Company the right to redeem Notes prior to their stated maturity.

Devaluations of the Tenge

Although the Tenge is convertible for current account transactions, it is not a fully convertible currency for capital account transactions outside Kazakhstan. Since the NBK adopted a floating rate exchange policy for the Tenge in April 1999, the Tenge has fluctuated significantly. The Tenge had generally appreciated in value against the U.S. Dollar over the previous decade until its devaluation by the NBK in February 2009. Since February 2009, the Tenge has generally stabilised. On 11 February 2014, the official KZT/U.S.$ exchange rate was devalued by 18.3% to KZT 184.5 per U.S.$1.00, compared to KZT 153.61 per U.S.$1.00 as at 31 December 2013 and KZT 150.74 per U.S.$1.00 as at 31 December 2012. The NBK reported that the adjustment was made taking into consideration the situation in the global financial and commodity markets. Amongst the reasons for the recent devaluation of the Tenge was a steady depreciation of the Russian Rouble over the course of 2013 to 2014 (whose trajectory the Tenge tends to mirror since Russia is a close trading partner of Kazakhstan).

Any further or continued devaluation of the Tenge could have a material adverse effect on the Group's capacity to pay interest on principal amounts due in connection with its foreign currency debt, including the Eurobond Offering and any future issues of Notes in foreign currencies. This devaluation could also have an impact on the capacity of some of the Group's borrowers to pay interest and principal amounts owed to the Group, thereby having a material adverse effect on the Group's business, results of operations and financial condition.

In addition, there can be no assurance that the NBK will maintain its managed exchange rate policy. Any change in the NBK's exchange rate policy could have an adverse effect on Kazakhstan's public finances and economy, which could, in turn, have a material adverse effect on the Group's business, results of operations and financial condition.

Kazakhstan's Less Developed Securities Market

Kazakhstan has a less-developed securities market than the United States or the United Kingdom and other Western European countries, which may hinder the development of the Kazakhstan economy. An organised securities market was established in Kazakhstan only in the mid-to-late 1990s and procedures for settlement, clearing and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, including an initiative to develop Almaty as a regional financial centre, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Kazakhstan as they are in the United States or the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Kazakhstan-based entities, such as the Company's subsidiaries, joint ventures and associates, may be publicly-available to investors in such entities than is available to investors in entities organised in the United States or the United Kingdom and other Western European countries. The above-mentioned factors may impair foreign investment in Kazakhstan and hinder the development of Kazakhstan's economy.

Accuracy of Official Statistics

Official statistics and other data published by State authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. The Company has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Base Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Base Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Base Prospectus.

In addition, certain information contained in this Base Prospectus is based on the knowledge and research of the Group's management using information obtained from non-official sources. The Company has accurately reproduced such information and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Base Prospectus.

Risks relating to the Notes

Suitability of Investment for all Investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal Investment Considerations

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are lawful investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Volatility of the Trading Price of the Notes

In recent years stock markets have experienced significant price fluctuations. These fluctuations were often unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes.

In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan. Since 2008, the global markets have experienced significant financial turmoil that has had a ripple effect on other emerging markets. These events have caused significant volatility in prices of emerging market debt. Events may occur which would cause significant volatility of the sort which occurred in worldwide financial markets in 1997 and 1998. Any such volatility may adversely affect the liquidity of the market for, or price of, the Notes.

Absence of Trading Market for the Notes

Notes issued under the Programme may have no established trading market when issued and none may develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks and Notes that are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Application has been made for the listing of the Notes on the Official List and for trading on the Main Securities Market of the Irish Stock Exchange. In addition, unless otherwise agreed with the relevant Dealer and provided for in the Final Terms, the Issuer will cause all Notes issued by the Issuer under the Programme to be admitted to the "rated debt securities" category of the official list of the KASE, and no Notes issued by the Issuer may be issued and placed without the prior consents of the FMSC. There can be no assurance that either such listings or declaration will be obtained or, if obtained, that an active trading market will develop or be sustained. The liquidity of any market for the Notes will depend on the number of Noteholders, the interest of securities dealers in making a market in the Notes and may be affected by political, economic, social and other developments both in Kazakhstan and in other emerging markets. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes.

Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors.

Set out below is a description of the most common such features:

Variable Rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate, such as LIBOR. The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate on the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes Issued at a Substantial Discount or Premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared to conventional interest-bearing securities with comparable maturities.

Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Collective Action Clauses

The Terms and Conditions of the Notes contain collective action clauses, which are provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined percentages of Noteholders voting in favour to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a contrary manner.

Risks in Relation to Modifications, Waivers and Substitutions

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions stipulate defined majorities required to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Fiscal Agent may, without the consent of Noteholders, agree to any modification of any of the provisions of the Deed, of Covenant, Fiscal Agency Agreement and the Terms and Conditions that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error in the circumstances described in "*Terms and Conditions of the Notes – Condition 17 (Meetings of Noteholders, Modification, Waiver and Submission)*".

Financial Turmoil in Emerging Markets

The market price of Notes is influenced by economic and market conditions in Kazakhstan and, to a varying degree, economic and market conditions in other CIS countries and emerging markets generally. Financial turmoil in other emerging markets in the past has adversely affected market prices in the world's securities markets for companies that operate in those and other developing economies. Even if Kazakhstan's economy remains relatively stable, financial turmoil in other emerging markets could materially adversely affect the market price of Notes.

Insolvency Laws in Kazakhstan

The Company is organised in Kazakhstan and is subject to the bankruptcy law of Kazakhstan. From the moment bankruptcy proceedings are initiated in court, a Kazakhstan debtor is prohibited from paying any debts outstanding prior to the bankruptcy proceedings, subject to specified exceptions.

After the initiation of bankruptcy proceedings, creditors may only make a claim against the debtor to the extent permitted by the Kazakhstan bankruptcy procedure. Contractual provisions, such as those contained in the Notes, which would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events, would accelerate the amount due but each accelerated amount becomes part of the total liabilities within the proper priority class. Specifically, Kazakhstan bankruptcy law provides that transactions or payments entered into or made (i) at any time prior to the commencement of bankruptcy proceedings which infringe Kazakhstan law may be considered invalid or (ii) within the period beginning three years prior to commencement of the bankruptcy proceedings for no consideration or below market value or favourable treatment of one creditor over another creditor may be clawed back by a Kazakhstan court. Since Kazakhstan's courts are not experienced with complex commercial issues, there is no way to predict the outcome of a bankruptcy proceeding.

Also, there is a likelihood that recently promulgated bank restructuring legislation may be made applicable to non-banking institutions, which could present significant risks to investors in the event of a default in respect of the Notes.

Return on an Investment in Notes

An investor's total return on an investment in any Notes will be affected by the level of fees charged by any Agent, nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Notes, custody services and on payments of interest and principal. Potential investors are, therefore, advised to investigate the basis on which any such fees will be charged on the relevant Notes.

English Law Governs Notes and all Agreements under the Programme

Prospective investors should note that each Series of Notes will be governed by and construed in accordance with the laws of England and that arbitration proceedings in accordance with the Rules of the LCIA or the courts of England, shall have exclusive jurisdiction in respect of any disputes involving the Notes. English law may be materially different from the equivalent law in the home jurisdiction of prospective investors in its application to the Notes. If a prospective investor is in doubt as to the implication of English law being the governing law in respect of the Notes, such investor should consult its legal advisors.

No assurance can be given as to the impact of any possible judicial decision or changes in English law or administrative practice after the date of this Base Prospectus. Payments made in respect of Notes may be subject to withholding tax and have other tax consequences for investors.

Generally, payments of interest on borrowed funds made by a Kazakhstan entity to a non-resident are subject to Kazakhstan withholding tax at the rate of 15% for legal entities, unless such withholding tax is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

If payments in respect of any Notes are subject to withholding of Kazakhstan tax as a result of which the Company would reduce such payments by the amount of such withholding, the Company is obliged to increase payments as may be necessary so that the net payments received by holders of Notes will not be less than the amounts they would have received in the absence of such withholding. It should be noted, however, that gross-up provisions may not be enforceable under Kazakhstan law where such provisions may be viewed by the Kazakhstan tax authorities as constituting payments of taxes on behalf of third parties.

EU Savings Directive

Under the EU Council Directive on taxation of savings income in the form of interest payments (the "**EU Savings Directive**") 2003/48/EC, each Member State is required to provide to the tax authorities of another Member State, details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, each of Luxembourg and Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (the end of that transitional period is dependent upon the conclusion of certain agreements relating to information exchange within certain non-EU countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, none of the Issuer, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Company is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

In addition, with respect to each issuance of Notes under the Programme, the Issuer will make an application to the KASE for such Notes to be admitted to the official list of the KASE. Furthermore, in order for payments to be made on the Notes exempt of Kazakhstan withholding tax, it will be necessary for the Notes to be admitted to the official list of the KASE and, moreover, no Notes may be issued or placed without the prior approval of the NBK. Whilst the Issuer does not presently anticipate any difficulties in obtaining these approvals, there can be no assurances given that such approvals will be obtained.

Foreign Account Tax Compliance Act

The Issuer and any non-U.S. financial institutions through which payments on the Notes are made may be required to withhold tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016, in respect of any Notes issued or materially modified on or after the date that is six months after the date on which Treasury Regulations that define the term "foreign passthru payment" are filed with the Federal Register (such date, the "**Grandfathering Date**"), pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"). Treasury Regulations defining the term "foreign passthru payment" have not yet been filed with the Federal Register. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") required to provide certain information regarding its account holders under FATCA or an intergovernmental agreement relating to FATCA ("**IGA**") and (ii)(A) an investor does not provide information sufficient for the relevant FFI to determine whether the investor is subject to such withholding, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or the relevant tax authority or (c) an investor that is an FFI or any FFI through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA or an IGA, none of the Issuer, any Paying Agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. Holders of the Notes should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

Trading in the Clearing Systems

The Terms and Conditions of the Notes provide that Notes shall be issued (i) with a minimum denomination of EUR100,000 (or its equivalent in another currency) (ii) with a minimum denomination of U.S.$200,000 (or its equivalent in another currency) in respect of Rule 144A Notes; and (iii) with a minimum denomination of £100,000 (or its equivalent in another currency) in respect of Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and in each case, in amounts in excess thereof which are integral multiples of an amount of the relevant currency as specified in the applicable Final Terms (the "**Specified Currency**"). Where Notes are traded in a clearing system, it is possible that processing of trades in the clearing systems may result in amounts being held in denominations smaller than the minimum denominations specified in the relevant Final Terms related to an issue of Notes. If Definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the terms of the relevant Global Notes, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of Definitive Notes unless and until such time as its holding becomes an integral multiple of the minimum denomination.

Exchange Rate Risks

The Company will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. In addition, such risks generally depend on economic and political events over which the Company has no control. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of payment of principal or interest, if any, on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. Dollars would not be available at such Note's maturity. In that event, the Company would make required payments in U.S. Dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as at the most recent practicable date.

Credit Ratings

Two independent credit rating agencies may assign credit ratings to Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above or other factors that may affect the value of Notes. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time.

Enforcement of Judgments Obtained Outside of Kazakhstan

The Company is a company organised under the laws of Kazakhstan substantially all of the Company's and the Group's businesses, assets and operations are located in Kazakhstan. In addition, a substantial majority of the Company's directors and executive officers reside in Kazakhstan and substantially all of their assets are located in Kazakhstan. As a result, it may not be possible to effect service of process within the United States or elsewhere outside Kazakhstan upon the Company or such directors or executive officers, including with respect to matters arising under United States federal securities laws or applicable United States state securities laws. Moreover, Kazakhstan does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in Kazakhstan of judgments of a court in the United States, the United Kingdom and many other jurisdictions in relation to any matter may be difficult. See "*Enforcement of Civil Liabilities*".

Further, in February 2010, the Parliament passed legislation amending the Arbitration Law to provide for certain immunities to government entities, including national companies, such as the Company, in the context of arbitration and foreign court judgments. While these immunities should apply only to Government entities to the extent they are performing sovereign functions and not commercial activities, and the issuance of Notes under the Programme should be considered a commercial activity (and, under the Deed of Covenant, the Company has, to the full extent permitted by applicable laws, waived any immunity that may be attributed to it in respect of the Notes), under the amendments, whether a particular activity is deemed to be sovereign or commercial in nature is subject to determination by a Kazakhstan court on a case by case basis.

CAPITALISATION

The following table sets forth the Company's consolidated capitalisation as at 31 December 2013, which has been derived from the Consolidated Financial Statements. This table should be read in conjunction with "Selected Financial Information and Other Data" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Base Prospectus for the periods indicated:

	As at 31 December 2013	
	(U.S.$ thousands)[(1)]	*(KZT thousands)*
Long-term debt[(2)]		
Senior long-term debt	1,896,825	**291,371,213**
Total long-term debt	**1,896,825**	**291,371,213**
Equity		
Share capital	1,743,485	267,816,731
Additional paid-in capital	441,007	67,743,159
Capitalisation reserve	(71,445)	(10,974,734)
Foreign currency translation reserve	(2,935)	(450,949)
Revaluation reserve on investment securities available for sale	1,145	175,946
Reserve capital	50,701	7,788,321
Deemed distribution reserve	(110,857)	(17,028,754)
Accumulated losses	(926)	(142,326)
Total equity attributable to shareholder of the Company	2,050,175	314,927,394
Non controlling interests	306	47,123
Total capitalisation[(3)]	**4,523,322**	**694,827,550**

Notes:

(1) For convenience, these figures have been translated into U.S.$ at the KZT/U.S.$ exchange rate published by the NBK as at 31 December 2013, which was KZT 153.61 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the KZT amounts have been or could be converted into U.S.$ at this rate or any other rate.

(2) Long-term debt includes amounts due to credit institutions, due to the Government and debt securities issued, all with remaining contractual maturities of over one year.

(3) Total capitalisation equals total liabilities plus total equity.

There have been no changes to the Company's share capital since 31 December 2013, other than currency revaluations. On 14 March 2014, the Government decided to increase the State contributions to the share capital of the Company (see "*Significant Developments Subsequent to the Date of the Consolidated Financial Statements*"). With respect to long-term debt, in February 2014 the Company entered into a loan agreement with HSBC Bank plc for a total principal amount of up to U.S.$ 100,000 thousand.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The financial information of the Group set forth below as at and for the years ended 31 December 2013, 2012 and 2011 has (as the case may be) been derived from, should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements, including the notes thereto, contained elsewhere in this Base Prospectus.

Prospective investors should read the selected financial and other information in conjunction with the information contained in the "Risk Factors," "Capitalisation," "Management's Discussion and Analysis of Results of Operations and Financial Condition," "Business", the Consolidated Financial Statements, including the notes thereto, and other financial data appearing elsewhere in this Base Prospectus for the periods indicated:

Consolidated Statement of Financial Position Data

	As at 31 December				Percentage change	
	2013 (unaudited)	2013	2012	2011	2013/2012	2012/2011
	(U.S.$ thousands)		*(KZT thousands)*		*(%)*	
ASSETS						
Cash and cash equivalents	363,414	55,824,066	64,414,586	54,783,883	(13.3)	17.6
Amounts due from credit institutions	754,204	115,853,307	15,255,645	18,702,795	659.4	(18.4)
Derivative financial assets at FVTPL	26,129	4,013,694	5,467,552	6,905,476	(26.6)	(20.8)
Loans to customers	1,297,612	199,326,232	151,700,282	149,281,585	31.4	1.6
Finance lease receivables	805,875	123,790,528	93,216,770	70,566,373	32.8	32.1
Loans to related parties	2,679	411,570	—	—	100	—
Investment securities available-for-sale	2,529	388,405	309,834	833,008	25.4	(62.8)
Investments in associates and joint ventures	19,107	2,935,039	269,031	265,584	991.0	1.3
Accounts receivable	430,693	66,158,694	75,227,907	52,907,939	(12.1)	42.2
Advances paid	133,897	20,567,975	15,419,374	10,042,690	33.4	53.5
Inventories	320,177	49,182,382	73,407,409	102,613,944	(33.0)	(28.5)
Minimum level of grain	86,834	13,338,568	13,435,625	10,769,108	(0.7)	24.8
Assets held for finance leases	85,659	13,158,059	9,909,309	6,467,772	32.8	53.2
VAT and other taxes recoverable	34,640	5,320,983	4,638,199	8,957,269	14.7	(48.2)
Current income tax assets	7,102	1,091,007	89,717	1,051,126	1,116.1	(91.5)
Deferred income tax assets	29,961	4,602,354	4,817,450	4,533,461	(4.5)	6.3
Assets held for sale	16,213	2,490,410	1,644,917	6,789,933	51.4	(75.8)
Investments property	2,985	458,498	86,628	—	429.3	—
Property, plant and equipment	93,912	14,425,762	17,240,921	18,870,629	(16.3)	(8.6)
Goodwill	269	41,300	41,300	41,300	0.0	0.0
Intangible assets	4,360	669,750	670,805	693,150	(0.16)	(3.2)
Other assets	5,071	778,967	877,016	1,054,041	(11.2)	(16.8)
Total assets	**4,523,322**	**694,827,550**	**548,140,277**	**526,131,066**	**26.8**	**4.2**
LIABILITIES						
Amounts due to the Government of the Republic of Kazakhstan	103,217	15,855,139	7,632,068	30,517,336	107.7	(75.0)
Amounts due to credit institutions	420,397	64,577,132	81,097,568	62,995,261	(20.4)	28.7
Debt securities issued	763,326	117,254,491	134,416,288	120,258,469	(12.8)	11.8
Eurobonds issued	1,000,430	153,676,011	—	—	100	—
Liabilities directly associated with assets held for sale	—	—	—	630,654	—	(100.0)
Trade accounts payable	55,008	8,449,842	6,060,273	5,063,576	39.4	19.7
Advances received	29,441	4,522,391	4,767,030	2,630,371	(5.1)	81.2
Current income tax liabilities	690	105,951	139,081	—	(23.8)	100.0
Deferred income tax liabilities	77,046	11,835,025	14,421,577	14,182,501	(17.9)	1.7
Deferred income	—	—	63	29,497	—	(99.8)
VAT and other taxes payable	13,217	2,030,192	1,324,829	1,182,907	53.2	12.0
Other liabilities	10,070	1,546,859	716,387	619,404	115.9	44.0
Total Liabilities	**2,472,842**	**379,853,033**	**250,575,101**	**238,109,976**	**51.6**	**5.2**

	As at 31 December				Percentage change	
	2013 (unaudited)	2013	2012	2011	2013/2012	2012/2011
	(U.S.$ thousands)		*(KZT thousands)*		*(%)*	
EQUITY						
Share capital	1,743,485	267,816,731	254,022,911	246,263,677	5.4	3.2
Additional paid-in capital	441,007	67,743,159	61,269,231	60,124,737	10.6	1.9
Capitalisation reserve	(71,445)	(10,974,734)	(10,974,734)	(10,974,734)	0.0	0.0
Foreign currency reserve	(2,936)	(450,949)	306,981	287,260	(246.9)	6.9
Revaluation reserve on investment securities available for sale	1,145	175,946	97,376	365,766	80.7	(73.4)
Reserve capital	50,702	7,788,321	7,234,651	6,360,203	7.7	13.7
Deemed distribution reserve	(110,857)	(17,028,754)	(13,311,088)	(12,320,716)	27.9	8.04
Accumulated losses	(927)	(142,326)	(1,224,035)	(2,332,641)	(88.4)	(47.5)
Total equity attributable to shareholder of the Company	(2,050,174)	314,927,394	297,421,293	287,773,552	5.9	3.4
Non-controlling interest	307	47,123	143,883	247,538	(67.2)	(41.9)
TOTAL EQUITY	**2,050,482**	**314,974,517**	**297,565,176**	**288,021,090**	**5.9**	**3.3**
TOTAL LIABILITIES AND EQUITY	**4,523,324**	**694,827,850**	**548,140,277**	**526,131,066**	**26.8**	**4.2**

Notes:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ exchange rate published by the NBK as at 31 December 2013, which was KZT 153.61 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the KZT amounts have been or could be converted into U.S.$ at this rate or any other rate.

Consolidated Statement of Comprehensive Income Data

	For the year ended 31 December				Percentage change	
	2013[(1)] (unaudited)	2013	2012	2011	2013/2012	2012/2011
	(U.S.$ thousands)		*(KZT thousands)*			*(%)*
Revenue from sale of goods and services............	337,659	51,371,498	74,482,817	64,189,731	(31.0)	16.0
Cost of sales..	(270,411)	(41,140,363)	(49,177,358)	(55,470,029)	(16.3)	(11.3)
Gross profit	**67,248**	**10,231,135**	**25,305,459**	**8,719,702**	**(59.6)**	**190.2**
Interest income	214,373	32,614,735	24,349,898	24,615,056	33.9	(1.1)
Interest expense	(120,305)	(18,303,202)	(16,739,218)	(12,374,396)	9.3	35.3
Net interest income	**94,068**	**14,311,533**	**7,610,680**	**12,240,660**	**88.0**	**(37.8)**
Impairment charge of interest earning assets	(39,677)	(6,036,475)	(11,160,195)	(3,701,889)	(45.9)	201.5
Net interest income/(expense) after (expenses)/income on impairment charge of interest earning assets.......................................	**54,391**	**8,275,058**	**(3,549,515)**	**8,538,771**	**(333.1)**	**(141.6)**
Net (losses)/gains on derivative financial assets..	(3,037)	(462,020)	33,530	(2,168,730)	(1,477.9)	(101.5)
Net losses from foreign currency transactions:	(9,454)	(1,438,269)	(481,819)	65,635	198.5	(834.1)
Share in profit / (loss) of associates	(4,560)	693,712	(55,432)	(173,055)	(1,351.5)	(68.0)
Other income	18,991	2,889,228	2,680,032	756,100	7.8	254.5
Net other operating income / (losses)...............	**11,060**	**1,682,651**	**2,176,311**	**(1,520,050)**	**(22.7)**	**(243.2)**
Personnel expenses	(35,682)	(5,428,674)	(4,795,459)	(4,540,708)	13.2	5.6
Selling expenses..	44,375	(6,751,205)	(8,171,276)	(4,752,671)	(17.4)	71.9
Net losses from adjustments if changes in future cash flows from loans to customers..........	(1,880)	(286,042)	(345,261)	(262,797)	(17.2)	31.4
Other operating expenses....................................	20,917	(3,182,293)	(4,342,739)	(2,882,026)	(26.7)	50.7
Other impairment charge	7,613	(1,158,199)	(2,272,085)	300,270	(49.0)	(856.7)
Reversal/(provisions) for contingent liabilities	—	—	—	1,002,400	0.0	(100.0)
Non-interest expense...	**110,467**	**(16,806,413)**	**(19,926,820)**	**(11,135,532)**	**(15.7)**	**78.9**
Profit before income tax expense	**22,232**	**3,382,431**	**4,005,435**	**4,602,891**	**(15.6)**	**(13.0)**
Income tax expense...	(11,154)	(1,697,032)	(1,721,219)	(527,560)	(1.4)	226.3
Profit for the year	**11,078**	**1,685,399**	**2,284,216**	**4,075,331**	**(26.2)**	**(44.0)**
Attributable to:						
shareholder of the Company	7,249	1,102,799	2,283,206	4,037,753	(51.7)	(43.5)
non-controlling interests...	(636)	(96,760)	1,010	37,578	(9,680.2)	(97.3)
	6,613	**1,006,039**	**2,284,216**	**4,075,331**	**(56.0)**	**(44.0)**

Note:

(1) For convenience, these figures have been translated into U.S. Dollars at the daily average KZT/U.S.$ exchange rate published by the NBK for 2013, which was KZT 152.14 average rate for 2013 per U.S.$1.00. Such translation is not reflective of a translation in accordance with IFRS and it should not be construed as a representation that the KZT amounts have been or could be converted into U.S.$ at this rate or any other rate.

Key Financial Ratios

The following table sets forth key financial ratios used by the Company's management in assessing the Company's operations and performance. The financial ratios set forth in this table reflect the operations of the Company for the periods indicated:

	As at and for the year ended 31 December		
	2013	2012	2011
		(%)	
Capital Ratios			
Debt/Equity	120.60	84.21	82.67
Equity/Total assets	45.33	54.29	54.74
Asset Quality Ratios			
Interest earning assets/Total assets	71.33	59.27	55.91
Impairment allowance/Gross loans to customers	11.31	13.12	9.79
Impairment allowance/Gross finance lease receivables	6.95	7.33	6.15
Impairment allowance/Gross loans to customers and finance lease receivables	9.69	11.00	8.65
Past due but not impaired loans (overdue by more than 90 days)/Gross loans to customers	0.99	9.84	9.92
Past due but not impaired finance leases (overdue by more than 90 days)/Net investment in finance leases	2.36	2.53	1.67
Liquidity Position			
Cash and equivalents/Total liabilities	14.70	25.71	23.01
Cash and equivalents/Total assets	8.03	11.75	10.41
Profitability Ratios			
Gross profit margin	19.92	33.97	13.58
Return on average total assets (ROAA)(1) (2)	0.27	0.43	0.85
Return on average total equity (ROAE)(1)	0.75	1.39	1.55
Net Interest Margin (before impairment)(3)	3.49	2.46	4.24
Net Interest Spread (4)	3.79	2.38(5)	2.19
Operating efficiency			
Non-interest expense/total turnover	20.01	20.16	12.54
Non-interest expense as a percentage of average total assets	2.70	3.71	2.31

Notes:

(1) Average balances in 2013, 2012 and 2011 were calculated based on the sum of beginning and ending balances for the relevant year divided by two. Average equity and total equity were calculated using the sum of beginning and ending balances for the relevant year divided by two.

(2) Return on average assets comprises net income less dividends on non-redeemable convertible preference shares divided by average period assets. Average period assets in 2013, 2012 and 2011 are calculated based on the sum of beginning and ending balances for the relevant year divided by two.

(3) Net interest margin comprises net interest income before impairment charges as a percentage of average interest earning assets. Average earning assets in 2013, 2012 and 2011 are calculated based on the sum of the opening and closing balances for the relevant year divided by two.

(4) Net interest spread for 2013 and 2011 comprises the difference between the weighted average interest rate on interest earning assets and the weighted average interest rate on interest bearing liabilities.

(5) Net interest spread for 2012 comprises the difference between the average interest rate on interest earning assets and the average interest rate on interest bearing liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following management's discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Group's results of operations and financial condition. The selected financial and operating data set forth below, subject to rounding, has been extracted without material adjustment from the Consolidated Financial Statements. Such data, together with the related discussion and analysis, should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto, as well as the information set forth under the captions "Selected Statistical and Other Data" and "Asset and Liability Management" included elsewhere in this Base Prospectus. Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge. The Consolidated Financial Statements are consolidated and reflect the results of operations of the Company and its subsidiaries. The Group prepares its Consolidated Financial Statements in accordance with IFRS. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-looking Statements". The Group's actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Base Prospectus. This discussion, insofar as it refers to average amounts, has, unless otherwise stated, been based upon annual opening and closing balances. See "Presentation of Financial and Other Information".

Introduction

The Company was established under the laws of Kazakhstan on 15 January 2007 as Joint Stock Company «KazAgro» National Management Holding pursuant to Decree No.220 of the President of the Republic of Kazakhstan dated 11 December 2006 and Resolution No.1247 of the Government dated 23 December 2006. The Company's registered office is 24 Republic Avenue, Astana, Republic of Kazakhstan and its telephone number is +7 7172 705 600. The Company's sole shareholder is the State, acting through the Ministry of Agriculture.

Pursuant to the Company's memorandum, which was approved by a Government resolution dated 23 December 2006 (No.1247) (the "**Memorandum**"), the Company's purpose, through its subsidiary operating companies, is to implement public policies to regulate the domestic grain market and to stimulate the development of agriculture in Kazakhstan, and the Group's activities are focused on a number of key activities, including promoting productivity and growth in the agricultural sector through industrialisation and diversification, ensuring food security through the development and regulation of the domestic market and developing the export potential of the agricultural sector. The agricultural sector is of high importance for Kazakhstan in terms of production, employment and social issues. Management believes that the Group is the largest creditor of the agricultural sector in Kazakhstan.

The Group is primarily funded by capital contributions to the Company and through loans provided at concessional rates from the National Fund and the State Budget, which are on-lent to its subsidiaries, as well as from borrowings from third parties, including borrowings from the international capital markets.

The Company, which is the holding company of the Group, performs its principal business activities through its subsidiaries. The Company's key subsidiaries are as follows:

- *Joint Stock Company "National Company "Food Contract Corporation*" ("**FCC**"): FCC's principal activities are to purchase grain from agricultural producers in Kazakhstan and sell grain on the domestic and international markets with the aim of ensuring food security in Kazakhstan and regulating the domestic grain market, as well as developing Kazakhstan's grain export potential through the effective management of resources and the promotion of grain export infrastructure. As agent of the Government, FCC also maintains the State's grain reserves, although it does not own these grain reserves. FCC also conducts activities relating to the production and processing of cotton, as well as certain non-core businesses. Although historically FCC participated in investment projects in the agricultural sector and undertook lending activities to farmers for the purposes of, among other matters, funding the sowing of crops, it has not engaged in such activities since the beginning of 2013.

- *"KazAgroFinance" Joint Stock Company* ("**KazAgroFinance**"): KazAgroFinance's activities aim principally to support the development of the agricultural sector in Kazakhstan through leasing and lending to the agricultural sector, as well as through participation in the implementation of the State Budget and other programmes aimed at the development of the agricultural sector. KazAgroFinance focuses its activities on large-to-medium-sized borrowers.

- *Joint Stock Company "Agrarian Credit Corporation"* ("**ACC**"): ACC's activities aim principally to promote the industrialisation and diversification of the agricultural sector in Kazakhstan through the development of affordable lending. ACC lends to credit organisations formed specifically to engage in on-lending of funds to the agricultural sector, co-operatives and other associations for on-lending to the agricultural sector, as well as directly to entities and individuals operating in the agricultural sector or which are otherwise located in rural areas. ACC focuses its activities on small-to-medium-sized borrowers.

- *"Fund for the Financial Support of Agriculture" Joint Stock Company* (the "**Fund**"): The Fund's activities aim principally to promote rural enterprise and the welfare of the rural population through the development of an effective micro-credit system. The Fund provides micro-credit services to the rural population, agricultural producers and small businesses and is also active in the creation of micro-credit organisations, which on-lend funds provided by the Fund to rural households and residents.

The Company, through other subsidiaries, also provides a range of additional services to the agricultural sector in Kazakhstan. See "*Business—Principal Business Activities—Other Subsidiaries*".

For the year ended 31 December 2013, the Group's net profit was KZT 1,685,399 thousand compared to net profit of KZT 2,284,216 thousand for the year ended 31 December 2012 and net profit of KZT 4,075,331 thousand for the year ended 31 December 2011. For the year ended 31 December 2013, the Group recorded an impairment charge for interest earning assets of KZT 6,036,475 thousand and other impairment charges of KZT 1,158,199 thousand compared to impairment charge for interest earning assets of KZT 11,160,195 thousand and other impairment charges of KZT 2,272,085 thousand for the year ended 31 December 2012 and impairment charge for interest earning assets of KZT 3,701,889 thousand and a reversal of other impairment charges of KZT 300,270 thousand for the year ended 31 December 2011. As at 31 December 2013, the Group had total assets of KZT 694,827,550 thousand compared to total assets of KZT 548,140,277 thousand as at 31 December 2012 and total assets of KZT 526,131,066 thousand as at 31 December 2011. For the year ended 31 December 2013, the Group's income tax expense was KZT 1,697,032 thousand compared to an income tax expense of KZT 1,721,219 thousand for the year ended 31 December 2012 and an income tax expense of KZT 527,560 thousand for the year ended 31 December 2011.

Segment Reporting

The Group's three segments, for reporting purposes, are grain and cotton (principally comprising the buying and selling of grain by FCC), financial services (principally comprising the provision of loans and leases to corporate and individual customers by KazAgroFinance, ACC and the Fund) and other (principally comprising the provision of marketing services, cattle breeding, cultivation of fruit and vegetables and other activities).

The following table sets forth certain information regarding the Group's operating segments for reporting purposes, as at the dates and for the periods indicated:

	As at and For the Year Ended 31 December					
	Revenue			**Assets**		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
	(KZT thousands)					
Segment						
Financial services	29,214,528	20,739,037	20,116,122	493,754,516	293,909,599	274,095,390
Grain and cotton cluster	51,495,453	73,546,338	64,217,202	146,169,562	209,395,787	220,970,629
Other	6,165,480	7,227,372	5,227,563	56,519,800	46,450,026	33,574,499
Adjustments and eliminations(1)	—	—	—	(1,616,328)	(1,615,135)	(2,509,452)
Total	**86,875,461**	**101,512,747**	**89,560,887**	**694,827,550**	**548,140,277**	**526,131,066**

Note:
(1) For eliminations of intra-group items.

The Group's grain and cotton segment accounted for 59.3%, 72.5%, and 71.7% of the Group's total revenue for each of the years ended 31 December 2013, 2012 and 2011, respectively, while the Group's financial services segment accounted for 33.6%, 20.4%, and 22.5% of the Group's total revenue for each of the years ended 31 December 2013, 2012 and 2011, respectively, and the Group's other segment accounted for 7.1%, 7.1%, and 5.8% of the Group's total revenue for each of the years ended 31 December 2013, 2012 and 2011, respectively.

The Group's grain and cotton segment accounted for 21.0%, 38.2%, and 42.0% of the Group's total segment assets (before adjustments and eliminations) as at each of 31 December 2013, 2012 and 2011, respectively, while the Group's financial services segment accounted for 71.1%, 53.6%, and 52.1% of the Group's total segment assets (before adjustments and eliminations) as at each of 31 December 2013, 2012 and 2011, respectively, and the Group's other segment accounted for 8.1%, 8.5%, and 6.4% of the Group's total segment assets (before adjustments and eliminations) as at each of 31 December 2013, 2012 and 2011, respectively.

See Note 5 to the Consolidated Financial Statements.

Critical Accounting Policies

The Group's accounting policies are integral to understanding the results of operations and financial condition presented in the Consolidated Financial Statements and notes thereto. The Group's significant accounting policies are described in Note 3 to the Consolidated Financial Statements appearing elsewhere in this Base Prospectus. In addition, the preparation of the Consolidated Financial Statements requires management to make estimates and judgments. See Note 4 to the Consolidated Financial Statements. Set out below is a summary of certain significant accounting policies, which Management believes to be of particular importance.

Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Financial Assets: Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans provided by the Group are initially recorded at fair value plus transaction costs. When the Group accepts a credit commitment to provide loans to customers at below market interest rates, a liability at fair value of these credit commitments is recorded in other liabilities together with a reversing entry, which is included in the income statement if the decision to undertake the obligation was adopted by the Group's management; or as a deemed distribution to the controlling shareholder, if the decision was adopted in accordance with the controlling shareholder's instructions. Subsequently, credit commitment is adjusted to fair value through profit and loss before granting a loan, when credit commitment is reduced by consideration paid, and the remaining balance is recorded as loans issued to customers. As a result, loans to customers are initially recognised at fair value, and subsequently these loans are recorded at amortised cost, using the effective interest rate.

Finance Lease – Group as Lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from Credit Institutions, Loans to Customers and Receivables

For amounts due from credit institutions, loans to customers and receivables carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan/receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Renegotiated Loans and Finance Lease Receivables

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. The accounting treatment of such restructuring is as follows:

- If the currency of the loan/finance lease receivable has been changed the old loan/finance lease receivable is derecognised and the new loan/finance lease receivable is recognised.

- If the loan/finance lease receivable restructuring is not caused by the financial difficulties of the borrower/lessee the Group uses the same approach as for financial liabilities described below.

- If the loan/finance lease receivable restructuring is due to the financial difficulties of the borrower/lessee and the loan/finance lease receivable is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case the loan/finance lease receivable is not impaired after restructuring, the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the loan/finance lease receivable is no longer considered past due. Management continuously reviews renegotiated loans/finance lease receivables to ensure that all criteria are met and that future payments are likely to occur. The loans/finance lease receivables continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest and Similar Income and Expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

In accordance with rules established by the Government, the Group is entitled to deduct a certain percent from revenue from the sale of the Government grain reserves as a commission. The commission is used for maintenance of office premises, employees' salary and to cover other expenses associated with the purchase of goods and services to support the Group's activities.

Loan commitment fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. If there is a possibility that due to a loan commitment a credit arrangement will be signed, a loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently is reflected as an adjustment of actual proceeds from a loan. When the probability to enter into credit arrangements under the loan commitments is remote, loan commitment fees are recognised in the income statement during the remaining validity period of the loan commitment. Upon expiration of the loan commitment validity period, which does not result in the issuance of a loan, loan commitment fees are recognised in the income statement on its expiration date. Fees for loan servicing are recognized upon rendering of services. Loan syndication fees are recognized in the income statement when such services have been provided. Other commissions are recognized upon rendering of services.

Rendering of Services

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction of related costs over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Derivative Financial Instruments

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value on the trading portfolio with changes in fair value recognised in the consolidated income statement.

Determination of Fair Value

The fair value for financial instruments traded in the active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Main Factors Affecting Results of Operations and Liquidity

The main factors that have affected the Group's results of operations during 2013, 2012 and 2011, and that can be expected to affect the Group's results of operations in the future, are: (i) the policies of the Government, including, in particular, the State acting through the Ministry of Agriculture, with respect to the Group's activities, including, in particular the Group's grain purchases and grain sales as well as with respect to the agricultural sector in Kazakhstan in general; (ii) the Group's operating expenses and (iii) the Group's cost of funding.

The Government's and the Ministry of Agriculture's Policies with Respect to the Group's Activities

The primary purpose of the Group is to promote the stability and development of the agricultural sector in Kazakhstan. The sole shareholder of the Company, which is the parent company of the Group, is the State, acting through the Ministry of Agriculture. The Group is primarily funded through capital contributions, concessional rate loans provided by the State and the National Fund, as well as, more recently, proceeds from external sources of funding, including Eurobonds. Accordingly, the Group's activities in each of its main segments are substantially determined by policies adopted by and on the terms set by, the Government, including, in particular, the Ministry of Agriculture.

Grain Purchases and Grain Sales

FCC's activities in respect of grain sales and purchases are primarily set by Government policy on stabilising and regulating the domestic grain market.

FCC conducts extensive procurement operations following harvests when grain yield is high in order to avoid a sharp decrease in domestic prices, as well as to remove surplus from the market. Conversely, following harvests when the grain yield is low, in an effort to dampen sharp increases in the cost of flour and baked goods, FCC supplies grain to regions of Kazakhstan at a fixed price below that of the market price in an amount determined by the relevant local authorities, which is based on the needs of processing enterprises in the region. In 2012, for example, FCC supplied grain to regions of Kazakhstan at a fixed price of KZT 28,000 per tonne at a time when the prevailing market price, according to the Ministry of Agriculture was KZT 38,000 to 45,000 per tonne. FCC also generally transfers grain from granaries in the northern grain-growing regions to granaries in other regions where there can be shortages, irrespective of the harvest yield.

Moreover, both FCC's cost of sales and its revenue from sale of goods and services in any particular year are influenced by the grain harvest during that year, as well as the grain harvests in previous years. Grain yields in harvests from year-to-year often influence domestic supply across several years and, accordingly affect the volume of grain FCC purchases and sells in any given year, in line with its mandate to ensure food security and regulate the domestic market, as well as to stimulate growth and develop the export potential of the agricultural sector. Typically, in any given year, FCC will purchase and sell grain harvested in prior years and stored by the Group and will begin to trade grain harvested in the given year only in the fourth quarter of that year. Depending on whether the grain yield in a particular year is high or low, FCC may be required to purchase or sell (as the case may be) grain at prices above or below market prices as set by the State Commission. The volumes of grain required to be purchased and sold from year to year, which fluctuate with the harvests, and the prices at which FCC is, in turn, required to effect grain purchases and sales, ultimately determine FCC's revenue and costs.

The following table sets forth information in respect of FCC's grain sales and purchases for the periods indicated:

	For the year ended 31 December					
	2013		2012		2011	
	(thousand tonnes)	*(KZT thousands)*	*(thousand tonnes)*	*(KZT thousands)*	*(thousand tonnes)*	*(KZT thousands)*
Sales of grain[(1)]	1,497.4	46,727,144	1,941.7	66,537,219	2,355.6	58,013,249
Purchases of grain[(1)]	205.3	5,509,211	631.0	16,646,835	4,706.5	113,416,360

Note:
(1) Including VAT.

Participation in Lending and Lease Financing Programmes

The Group's lending and lease financing activities are determined to a significant extent by the terms of programmes established by the Government, including the Ministry of Agriculture, and pursuant to which funds are made available from the State Budget and the National Fund to the Group for on-lending to legal entities and individuals operating in the agricultural sector or rural areas in Kazakhstan. Typically, each programme specifies the types of borrowers eligible to receive financing under the programme, the purposes for which such financing may be used and the principal terms on which the financing will be provided, including the applicable interest rates and maturities of loans and finances leases to be granted thereunder, as well as the total amount of funding and the terms on which such funding is to be provided by the State to the Group for such programmes.

Operating Expenses

The Group's non-interest expenses increase following harvests when grain yields are high, primarily due to the increase in costs for grain storage and related activities, such as (among others) loading operations and transportation and dispatching services, which are determined by the volumes of grain purchased. Conversely, in years when grain yields are low, the Group's non-interest expenses decrease as a result of lower costs for grain storage and related activities.

Funding Structure

Approximately 43.3% of the Group's total funding as at 31 December 2013 comprised State contributions to the share capital of the Company. Furthermore, the Group also benefits from a series of loans from the State at concessional rates. As at 31 December 2013, the remaining 56.8% of the Group's total funding was comprised of loans from the National Fund (10.7%), loans from the State Budget (2.6%), borrowings from third parties (10.4%) (including loans from foreign banks and international financial institutions ("**IFIs**") (8.1%) and loans from Kazakhstan banks (2.3%)), proceeds from domestic bonds issued by the Group and the Eurobond Offering (24.8%) and monies provided by local authorities (0.01%). The funding support provided by the State has permitted the Group to maintain an active role in lending to the agricultural sector, in comparison to Kazakhstan's commercial banking sector, which has been more significantly affected by the effects of the global financial crisis.

Significant Developments Subsequent to the Date of the Consolidated Financial Statements

Other than as described below, there have been no other significant events which the Company considers "unusual" or "infrequent" subsequent to 31 December 2013:

- On 11 February 2014, the official KZT/U.S.$ exchange rate was devalued by 18.3% to KZT 184.5 per U.S.$1.00, compared to KZT 153.61 per U.S.$1.00 as at 31 December 2013 and KZT 150.74 per U.S.$1.00 as at 31 December 2012. The NBK reported that the adjustment was made taking into consideration the situation in the global financial and commodity markets. This currency devaluation has had a positive impact on the export of grains and no significant impact to date on the payment of interest under the Eurobond Offering as a result of the Company's reserves in foreign currency bank accounts and deposits. To the extent that this Tenge devaluation has an adverse impact on Group profitability and the Tenge value of the Group's foreign currency denominated liabilities in 2014, management anticipates that this will be mitigated by the State contribution to the Company's share capital, expected in May 2014, as discussed below. See "*Risk factors - Devaluations of the Tenge*";

- On 14 March 2014, the Government decided to increase the State contributions to the share capital of the Company by KZT 20 billion. The Company expects the change in share capital to reflect this increase in State contributions to take place in May 2014;

- On 8 April 2014, Fitch placed the Company on Rating Watch Negative as a result of the increasing reliance from the Company on foreign currency debt. Fitch reflected that the Company may increase the proportion of funding it obtains from the capital markets, in addition to the Eurobond Offering. This could result in the Company's capital markets funding consistently exceeding its State-originated funding. Fitch is of the view that a material increase in capital markets borrowing leading to a structural minority of State-originated funding could suggest weakening State support. It also indicated in its report that if more than 50% of the Company's funding were to be consistently raised from the capital markets, the Company's rating would be downgraded. Fitch will consider this 50% figure in the context of a longer-term approach to funding rather than solely at a particular point in time. Additionally, Fitch noted that the devaluation of the Tenge referenced above also had an effect on the Company's funding structure. However, Fitch also indicated that it expects to resolve the Rating Watch Negative when it has received the Group's audited 31 December 2013 accounts and has had an opportunity to discuss funding plans with the Company's Management and, consequently, it expects to resolve the Rating Watch Negative within six months; and

- The appointment of the existing KazAgroFinance management board will terminate as scheduled on 13 May 2014. On 4 May 2014, the Company approved the re-election of the KazAgroFinance management board, which will come into effect on 13 May 2014. The new management board consists of all existing KazAgroFinance board members and two new members.

See Note 48 to the Consolidated Financial Statements.

Results of Operations for the Year ended 31 December 2013 Compared to the Year Ended 31 December 2012

Revenue from Sale of Goods and Services

The Group's revenue from sale of goods and services is derived principally from activities conducted by FCC.

The following table sets forth certain information regarding the Group's revenue from sale of goods and services for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Sale of grain	42,767,624	66,537,219	(35.7)
Sale of cotton	2,885,062	3,393,465	(14.98)
Rendering of services	1,831,287	1,807,336	1.3
Sale of wool	593,756	82,651	618.4
Sale of flour	591,874	249,575	137.2
Sale of dairy production	238,190	148,563	60.3
Sale of tomato paste	112,787	108,344	(24.1)
Other revenue(1)	2,350,918	2,155,664	(12.3)
Total	**51,371,498**	**74,482,817**	**(31.0)**

Note: (1) Principally comprising sales of meat and other animal related products including furs and pelts.

For the year ended 31 December 2013, total revenue from the sale of goods and services decreased by KZT 23,111,319 thousand, or 31.0%, to KZT 51,371,498 thousand from KZT 74,482,817 thousand for the year ended 31 December 2012. This decrease was primarily due to a decrease in revenue from the sale of grain.

Revenue from the sale of grain decreased by KZT 23,769,595 thousand, or 35.7%, to KZT 42,767,624 thousand for the year ended 31 December 2013 from KZT 66,537,219 thousand for the year ended 31 December 2012. This decrease was due to a good harvest experienced by Kazakhstan in 2013 compared with a poor harvest in 2012 as a result of a severe drought. This good harvest resulted in a sharp decrease in domestic prices and therefore a reduction in the volume and price of grain sold domestically by the Group. Despite a higher volume of grain exports in the second half of 2013, competition from Russian and other Middle- and central Asian countries resulted in a decrease of the average grain price on the international markets which, in turn, resulted in a reduction in the volume and price of grain sold internationally by the Group.

Revenue from the Group's sale of cotton decreased by KZT 508,403 thousand, or 15.0%, to KZT 2,885,062 thousand for the year ended 31 December 2013 from KZT 3,393,465 thousand for the year ended 31 December 2012. This decrease primarily reflected a reduction in the volume and price of cotton sold by the Group. This decrease in revenue was partially offset by, among other things, increases in the sale of wool and sale of flour.

Cost of Sales

In any given year, cost of sales principally comprise the cost of grain sold and the cost of cotton sold in that year, which, in turn, primarily comprise amounts paid by FCC to purchase grain and cotton, which it then on-sells. Other cost of sales primarily includes amounts paid to purchase other agricultural products, also for resale.

The following table sets forth certain information regarding the Group's cost of sales for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Cost of grain sold	(32,790,055)	(41,366,615)	(20.7)
Cost of cotton sold	(2,738,710)	(3,531,252)	(22.4)
Cost of rendering services	(1,306,820)	(1,163,809)	(12.3)
Cost of tomato paste sold	(779,026)	(388,106)	(100.7)
Cost of flour	(612,608)	(251,051)	(144.0)
Cost of wool	(548,846)	(75,608)	(625.9)
Cost of dairy products	(235,621)	(181,533)	(29.8)
Other(1)	(2,128,677)	(2,219,384)	(4.1)
Total	**(41,140,363)**	**(49,177,358)**	**(16.3)**

Note:
(1) Principally comprising the cost of meat and other animal products including furs and pelts.

For the year ended 31 December 2013, total cost of sales decreased by KZT 8,036,995 thousand, or 16.3%, to KZT 41,140,363 thousand from KZT 49,177,358 thousand for the year ended 31 December 2012. This decrease was primarily due to a decrease in the volume of grain sold.

The cost of grain sold decreased by KZT 8,576,560 thousand, or 20.7%, to KZT 32,790,055 thousand for the year ended 31 December 2013 from KZT 41,366,615 thousand for the year ended 31 December 2012. The decrease in the cost of grain sold primarily reflected the decrease in the volume of grain sold in 2013, compared to 2012.

The cost of cotton sold decreased by KZT 792,542 thousand, or 22.4%, to KZT 2,738,710 thousand for the year ended 31 December 2013 from KZT 3,531,252 thousand for the year ended 31 December 2012. The decrease in the cost of cotton sold was primarily attributable to the decrease in the average volume and price of cotton.

Gross Profit

As a result of the foregoing, the Group's gross profit decreased by KZT 15,074,324 thousand, or 59.6%, to KZT 10,231,135 thousand for the year ended 31 December 2013 from KZT 25,305,459 thousand for the year ended 31 December 2012.

Net Interest Income

The Group's net interest income is derived principally from the lending and leasing activities conducted by its subsidiaries (principally, KazAgroFinance, ACC and the Fund), as well as the temporary placement of available funds for liquidity management purposes.

The following table sets forth the principal components of the Group's net interest income for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2013	**2012**	**2013/2012**
	(KZT thousands)		*(%)*
Accrued interest income	32,614,735	24,349,898	33.9
Accrued interest expense	(18,303,202)	(16,739,218)	9.3
Net interest income	**14,311,533**	**7,610,680**	**88.0**

Net interest income increased by KZT 6,700,853 thousand, or 88.0%, to KZT 14,311,533 thousand for the year ended 31 December 2013 from KZT 7,610,680 thousand for the year ended 31 December 2012, primarily reflecting higher interest income.

Interest Income

The following table sets forth the components of the Group's interest income for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2013	**2012**	**2013/2012**
	(KZT thousands)		*(%)*
Interest income on loans to customers	16,121,914	13,243,149	13.2
Interest income on finance lease receivables	9,756,089	7,779,551	25.4
Interest income on amounts due from credit institutions	4,666,850	1,644,207	183.8
Interest income from cash and cash equivalents	1,937,139	1,460,947	32.6
Interest income on investment securities available-for-sale	—	—	-
Other	132,743	222,044	(40.2)
Total interest income	**32,614,735**	**24,349,898**	**33.9**

Total interest income increased by KZT 8,264,837 thousand, or 33.9%, to KZT 32,614,735 thousand for the year ended 31 December 2013 from KZT 24,349,898 thousand for the year ended 31 December 2012, primarily due to increases in interest income on loans to customers, finance lease receivables, amounts due from credit institutions and in interest income on cash and cash equivalents.

For the year ended 31 December 2013, the Group recorded interest income on loans to customers of KZT 16,121,914 thousand compared to KZT 13,243,149 thousand for the year ended 31 December 2012, reflecting an increase of KZT 2,878,765 thousand, or 21.7%. This increase was primarily attributable to an increase in the average rate of interest earned from loans to customers and the higher volume of loans to customers through the Group's subsidiaries which partly result from the implementation of existing and new Government programmes.

For the year ended 31 December 2013, the Group recorded interest income on finance lease receivables of KZT 9,756,089 thousand compared to KZT 7,779,551 thousand for the year ended 31 December 2012, reflecting an increase of KZT 1,976,538 thousand, or 25.4%. This increase was primarily attributable to an increase in leasing rates earned from lease financing and the higher volume of lease financing through the Group's subsidiaries.

For the year ended 31 December 2013, the Group recorded interest income on amounts due from credit institutions of KZT 4,666,850 thousand compared to KZT 1,644,207 thousand for the year ended 31 December 2012, reflecting an increase of KZT 3,022,643 thousand, or 183.8%. This increase again primarily reflected an increased amount of liquidity from the proceeds of the Eurobond Offering held as time deposits rather than in current accounts. For the year ended 31 December 2013, lower interest was paid by credit institutions on current accounts held by the Group than on its deposits.

For the year ended 31 December 2013, the Group recorded interest income from cash and cash equivalents of KZT 1,937,139 thousand compared to KZT 1,460,947 thousand for the year ended 31 December 2012, reflecting an increase of KZT 476,192 thousand, or 32.6%. This increase was primarily attributable to higher levels of interest rates on current accounts, as well as a higher level of cash allocated to current accounts. See "*Selected Statistical and Other Data—Cash and Cash Equivalents*" and Note 33 to the Consolidated Financial Statements.

For the years ended 31 December 2013 and 31 December 2012, the Group recorded no interest income on investment securities available-for-sale as it happened to hold no such instruments in those years. See "*Selected Statistical and Other Data—Investment securities available-for-sale*" and Note 33 to the Consolidated Financial Statements.

Interest Expense

The following table sets forth the principal components of the Group's interest expense for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Interest expense on debt securities issued	(6,719,422)	(9,945,900)	(32.4)
Interest expense on amounts due to credit institutions	(5,108,171)	(3,833,610)	33.2
Interest expense on Eurobonds issued	(4,267,295)	-	-
Interest expense on amounts due to the Government of the Republic of Kazakhstan	(1,576,372)	(2,704,599)	(41.7)
Other	(631,942)	(255,109)	147.7
Total interest expense	**(18,303,202)**	**(16,739,218)**	**9.3**

Total interest expense increased by KZT 1,563,984 thousand, or 9.3%, to KZT 18,303,202 thousand for the year ended 31 December 2013 from KZT 16,739,218 thousand for the year ended 31 December 2012. This increase primarily reflected the higher outstanding principal amounts of interest-bearing liabilities.

For the year ended 31 December 2013, the Group recorded interest expense on debt securities issued of KZT 6,719,422 thousand compared to KZT 9,945,900 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 3,226,478 thousand, or 32.4%. This decrease primarily reflected a reduction of domestic levels of debt, principally by FCC, whose levels of debt securities issued decreased by approximately KZT 22,000 million.

For the year ended 31 December 2013, the Group recorded interest expense on amounts due to credit institutions of KZT 5,108,171 thousand compared to KZT 3,833,610 thousand for the year ended 31 December 2012, reflecting an increase of KZT 1,274,561 thousand, or 33.2%. This increase was primarily attributable to the effect of the higher interest rates paid on bilateral loans obtained from both foreign and local lenders, despite the lower outstanding amounts due to credit institutions.

For the year ended 31 December 2013, the Group recorded interest expense relating to the Eurobond Offering in May 2013 of KZT 4,267,295 thousand.

For the year ended 31 December 2013, the Group recorded interest expense on amounts due to the Government of the Republic of Kazakhstan of KZT 1,576,372 thousand compared to KZT 2,704,599 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 1,128,227 thousand, or 47.1%. This decrease was primarily due to a decrease in the amount of loans due to the Government by KZT 20 billion to KZT 60 billion in the year ended 31 December 2013 from KZT 80 billion in the year ended 31 December 2012, which was partially offset by an increase in loans from local Government executive bodies, with interest rates varying from 0% to 3.0%.

See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts due to the Government*" and Note 34 to the Consolidated Financial Statements.

Impairment Charge for Interest Earning Assets

The following table sets forth the principal components of the Group's impairment charge for interest earning assets for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2013	**2012**	**2013/2012**
	(KZT thousands)		*(%)*
Loans to customers	(4,179,758)	(8,266,006)	(49.4)
Finance lease receivables	(1,856,717)	(2,894,189)	(35.85)
Impairment charge for interest earning assets	**(6,036,475)**	**(11,160,195)**	**(45.9)**

For the year ended 31 December 2013, the Group recorded an impairment charges on interest earning assets of KZT 6,036,475 thousand compared to KZT 11,160,195 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 5,123,720 thousand, or 45.9%. This decrease was primarily attributable to a decrease in the Group's impairment charge on loans to customers as a result of the strengthening of the Group's loan repayment procedures and the absence of significant loss events in 2013.

For the year ended 31 December 2013, the Group recorded an impairment charges on loans to customers of KZT 4,179,758 thousand compared to KZT 8,266,006 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 4,086,248 thousand, or 49.4%. This decrease was primarily attributable to a strengthening in the Group's loan repayment procedures and the absence of significant loss events in 2013. See "*Selected Statistical and Other Data—Loans to Customers—Analysis of Loans to Customers by Credit Quality*" and Note 9 to the Consolidated Financial Statements.

For the year ended 31 December 2013, the Group recorded an impairment charge on finance lease receivables of KZT 1,856,717 thousand compared to KZT 2,894,189 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 1,037,472 thousand, or 35.9%. This decrease was primarily attributable to a change in impairment charges methodology taking into account National Bank of Kazakhstan's recommendations. See "*Selected Statistical and Other Data—Finance Lease Receivables—Analysis of Finance Lease Receivables by Credit Quality*".

See Note 35 to the Consolidated Financial Statements.

Net Interest Income/(Expense) after (Expenses)/Income on Impairment of Interest Earning Assets

As a result of the foregoing, the Group's net interest income after impairment charge for interest earning assets increased by KZT 11,824,573 thousand, to net interest income after impairment charges of KZT 8,275,058 thousand for the year ended 31 December 2013 from net interest expense after impairment charges of KZT 3,549,515 thousand for the year ended 31 December 2012.

Net Gains/Losses on Derivative Financial Assets

The following table sets forth the components of the Group's net losses on derivative financial assets for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Realised gains on derivative financial assets	991,756	1,236,385	(19.8)
Unrealised losses/(gains) on derivative financial assets	1,453,776	1,202,855	(20.9)
Net (losses)/gains on derivative financial assets	**(462,020)**	**33,530**	**(1,477.9)**

For the year ended 31 December 2013, the Group recorded KZT 462,020 thousand in net losses on derivative financial assets compared to net gains of KZT 33,530 thousand for the year ended 31 December 2012.

For the year ended 31 December 2013, the Group recorded KZT 991,756 thousand of realised gains on derivative financial assets compared to KZT 1,236,385 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 244,629 thousand, or 19.8%. This decrease was primarily attributable to a decrease in the amount of derivative financial assets owned by the Group.

For the year ended 31 December 2013, the Group recorded KZT 1,453,776 thousand of unrealised losses on derivative financial assets compared to KZT 1,202,855 thousand unrealised losses on derivative financial assets for the year ended 31 December 2012, reflecting an increase of KZT 250,921 thousand, or 20.9%. This increase in unrealised loss on derivative financial assets, recorded in 2013, was primarily attributable to the depreciation of the Tenge against the U.S.$ and the Euro resulting in higher interest rates for loans to customers and a corresponding increased amount on currency indexed financial assets. The unrealised loss recorded in 2012 was attributable to the change in the market value of derivative financial assets. See Note 36 to the Consolidated Financial Statements.

Net Gains (Losses) from Foreign Currencies

For the year ended 31 December 2013, the Group recorded a net loss of KZT 1,438,269 thousand from foreign currencies compared to a net loss of KZT 481,819 thousand for the year ended 31 December 2012 reflecting an increase by KZT 956,450 thousand, or 198.5%. The increase in net loss recorded in 2013 was attributable to changes in the exchange rate of the Tenge against the U.S.$. The Group completed the Eurobond Offering in the year ended 31 December 2013, increasing the Group's net position in U.S.$. The loss recorded in 2012 reflected the effect of the Group's net short position in foreign currencies, in particular, the U.S.$ and the Euro, and the depreciation of the Tenge against such currencies.

Share in (Loss) / Profit of Associates

For the year ended 31 December 2013, the Group recorded a share in the profits of associates of KZT 693,712 thousand compared to a share in the losses of associates of KZT 55,432 thousand for the year ended 31 December 2012. The share in the profits of associates recorded in 2013 reflected an increase in the revenues of associates. The share in the losses of associates recorded in 2012 reflected a decrease in profit due to delays in the payments of amounts due from final beneficiaries.

Other Income

The following table sets forth the components of the Group's other income for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Fines and penalties received	1,497,662	1,313,296	14.0
Agency services	519,748	45,871	1,033.1
Gain from initial recognition of loans received from Islamic Development Bank	131,561	61,430	114.2
Income from sales of investment securities	98,606	41,294	138.8
Insurance services (Note 42)	57,585	57,607	0
Dividend income	53,925	532,003	(89.9)
Income from revaluation of investment securities	—	82,530	-100
Fees and commissions received	—	340,647	-100
Gain from sale of assets held for sales	—	20,862	-100
Gains/(losses) on sale of property and equipment	4,806	(36,632)	(113.1)
Other	525,335	221,124	137.6
Other income	**2,889,228**	**2,680,032**	**7.8**

For the year ended 31 December 2013, the Group recorded other income of KZT 2,889,228 thousand compared to KZT 2,680,032 thousand for the year ended 31 December 2012, reflecting an increase of KZT 209,196 thousand or 7.8%. This increase was primarily attributable to higher levels of income from fines and penalites received and gains from the initial recognition of loans received from the Islamic Development Bank, partially offset by a decrease in dividend income.

For the year ended 31 December 2013, the Group recorded income from fines and penalties received of KZT 1,497,662 thousand compared to KZT 1,313,296 thousand for the year ended 31 December 2012, reflecting an increase of KZT 184,366 thousand, or 14%. This increase was primarily attributable to fines and penalties assessed by FCC against grain-producing counterparties for late payments under grain forward purchase contracts. See "*Business—Principal Business Activities—FCC—Collection, Storage and Distribution Operations*".

For the year ended 31 December 2013, the Group recorded gains from the initial recognition of loans received from the Islamic Development Bank of KZT 131,561 thousand, compared to KZT 61,430 thousand for the year ended 31 December 2012, reflecting an increase of KZT 70,131 thousand, or 114.2%. This increase was primarily attributable to the initial recognition of loans received from the Islamic Development Bank.

For the year ended 31 December 2013, the Group recorded dividend income of KZT 53,925 thousand compared to KZT 532,003 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 478,078 thousand, or 89.9%. The decrease in dividend income was due to a lower level of dividends received by the Group compared to 2012. The Group received a special dividend received on the shares of JSC Kazakhtelecom in 2012.

For the year ended 31 December 2013, the Group recorded a decrease in dividend income compared to KZT 532,003 thousand for the year ended 31 December 2012 to KZT 53,925 thousand. This decrease in dividend income was due to a decrease in the amount of dividends received by the Company, which only received a dividend on its JSC Kazakhtelecom shares in 2012.

For the year ended 31 December 2013, the Group recorded gains on the sale of property and equipment of KZT 4,806 thousand compared to losses on the sale of property and equipment of KZT 36,632 thousand for the year ended 31 December 2012. The gains on sale of property and equipment in 2013 were primarily attributable to the selling prices of property and equipment being reflected as higher than the recorded book prices.

Net Other Operating Income / (Losses)

As a result of the foregoing, the Group recorded net other operating income of KZT 1,682,651 thousand for the year ended 31 December 2013 compared to net other operating income of KZT 2,176,311 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 493,660 thousand, or 22.7%.

Personnel Expenses

The following table sets forth the components of the Group's personnel expenses for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Salaries and bonuses	(4,941,437)	(4,371,748)	13.0
Social security costs	(487,237)	(423,711)	15.0
Personnel expenses	**(5,428,674)**	**(4,795,459)**	**13.2**

For the year ended 31 December 2013, the Group recorded personnel expenses of KZT 5,428,674 thousand compared to KZT 4,795,459 thousand for the year ended 31 December 2012, reflecting an increase of KZT 633,215 thousand, or 13.2%. This increase was primarily attributable to increases in salaries for all Group employees within the established ranges of salaries for such employees for motivational purposes. The increased wage schedule resulted in corresponding increases in social security costs payable in respect of such salaries.

Selling Expenses

The following table sets forth the principal components of the Group's selling expenses for the periods indicated:

	For the year ended 31 December		Percentage change
	2013	2012	2013/2012
	(KZT thousands)		*(%)*
Grain storage expenses	(3,158,665)	(6,060,733)	(47.9)
Salaries and related taxes	(1,910,248)	(1,390,604)	37.4
Materials	(69,368)	(95,562)	(27.4)
Depreciation and amortisation	(36,076)	(36,817)	(2.0)
Marketing	(2,191)	(59,489)	(96.3)
Dispatching services	(987,044)	(214,936)	359.2
Other selling expenses	(587,613)	(313,135)	87.7
Total selling expenses	**(6,751,205)**	**(8,171,276)**	**(17.3)**

For the year ended 31 December 2013, the Group recorded total selling expenses of KZT 6,751,205 thousand compared to KZT 8,171,276 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 1,420,071 thousand, or 17.3%. This decrease was primarily attributable to decreases in expenses for grain storage and marketing, which were partially offset by an increase in salaries and related taxes, dispatching services and other selling expenses, the principal components of which relate to travel, the certification and testing of grain, financial services, leases for operating premises and communication.

For the year ended 31 December 2013, the Group recorded grain storage expenses of KZT 3,158,665 thousand compared to KZT 6,060,733 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 2,902,068 thousand, or 47.9%. This decrease was primarily attributable to lower costs resulting from a decrease in the amount of grain stored, corresponding with the decrease in the amount of grain sold on the domestic and international markets.

For the year ended 31 December 2013, the Group recorded salary and related tax expenses of KZT 1,910,248 thousand compared to KZT 1,390,604 thousand for the year ended 31 December 2012, reflecting an increase of KZT 519,644 thousand, or 37.4%. This increase was primarily attributable to the increase in salaries paid to employees.

For the year ended 31 December 2013, the Group recorded dispatching service expenses of KZT 987,044 thousand compared to KZT 214,936 thousand for the year ended 31 December 2012, reflecting an increase of KZT 772,108 thousand, or 359.2%. This increase was primarily attributable to increased export sales in 2013 compared to 2012.

For the year ended 31 December 2013, the Group recorded other selling expenses of KZT 587,613 thousand compared to KZT 313,135 thousand for the year ended 31 December 2012, reflecting an increase of KZT 274,478 thousand, or 87.7%. This increase principally reflected the costs associated with the proportional increase in the amount of grain sold on the international market in the year ended 31 December 2013.

Net Losses from Adjustment of Changes in Future Cash Flows from Loans to Customers

In the ordinary course of business, the Group revises the calculation of cash inflows of loans to customers in order to take account of loan extensions and early redemptions in connection with the events not related to impairment of loans. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the initial effective rate. The effect of changes in the carrying amounts is recognised through profit and loss.

For the year ended 31 December 2013, the Group recorded net losses from the adjustment of changes in future cash flows from loans to customers of KZT 286,042 thousand compared to net losses of KZT 345,261 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 59,219 thousand, or 17.2%. This decrease was primarily attributable to an increase in the interest rate the Group offers to its subsidiaries. A higher interest rate was required to offset the Group's higher cost of funding from funding sources such as the Eurobond Offering, compared to previously lower interest rates charged by the Group which reflected the cost of funding from loans provided by the Company's shareholder and the National Fund.

Other Operating Expenses

The following table sets forth the components of the Group's other operating expenses for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2013	**2012**	**2013/2012**
	(KZT thousands)		*(%)*
Depreciation and amortisation	(391,660)	(439,778)	(10.9)
Rent	(361,851)	(347,628)	4.1
Professional services	(325,670)	(282,571)	15.3
Taxes other than income	(289,392)	(433,358)	(33.2)
Advertising and marketing expenses	(240,579)	(206,770)	16.4
Business trip and representation expenses	(183,172)	(230,907)	(20.7)
Repairs and maintenance expenses	(151,805)	(215,515)	(29.6)
Materials	(145,288)	(503,909)	(71.2)
Communication expenses	(105,589)	(170,185)	(38.0)
Bank fees	(96,590)	(109,993)	(12.2)
Charity and sponsorship expenses	(85,406)	(52,224)	63.5
Insurance	(84,057)	(77,286)	8.8
Third-party services	(68,779)	(28,468)	141.6
Utilities	(37,919)	(26,873)	41.1
Training	(35,613)	(39,284)	(9.3)
Security	(23,233)	(20,609)	12.7
Events organisations	(18,620)	(83,911)	(77.8)
Software development expenses	(11,184)	(91,082)	(87.7)
Stationary	(6,013)	(17,802)	(66.2)
Transport and forwarding expenses	(2,322)	(18,863)	(87.7)
Other	(517,551)	(945,723)	(45.3)
Other operating expenses	**(3,182,293)**	**(4,342,739)**	**(26.7)**

For the year ended 31 December 2013, the Group recorded other operating expenses of KZT 3,182,293 thousand compared to KZT 4,342,739 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 1,160,446 thousand, or 26.7%. This decrease was primarily attributable to a decrease in the cost of depreciation and amortisation, taxes other than income, business trip and representation expenses, repairs and maintenance expenses, materials and communication expenses.

Other Impairment charges

For the year ended 31 December 2013, the Group recorded other impairment charges of KZT 1,158,199 thousand compared to other impairment charges of KZT 2,272,085 thousand for the year ended 31 December 2012 reflecting a decrease in other impairment charges of KZT 1,113,886 thousand or 49.0%. The decrease in other impairment charges in 2013 was primarily due to a decrease in impairment charges on property, advances paid and account receivables. For details of the movement in other impairment allowances for the period, see Note 41 to the Consolidated Financial Statements.

Reversal / (Provisions) for Contingent Liabilities

For the years ended 31 December 2013 and 31 December 2012, the Group did not make any provision for contingent liabilities.

Non-Interest Expense

As a result of the foregoing, the Group's non-interest expense decreased by KZT 3,120,407 thousand, or 15.6%, to KZT 16,806,413 thousand for the year ended 31 December 2013 from KZT 19,926,820 thousand for the year ended 31 December 2012. The decrease in non-interest expense was primarily attributable to decreased selling expeses, other operating expenses and other impairment charges.

Profit Before Income Tax Expense

As a result of the foregoing, for the year ended 31 December 2013, the Group recorded profit before income tax expense of KZT 3,382,431 thousand compared to KZT 4,005,435 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 623,004 thousand, or 15.6%. The decrease was primarily attributable to a decline in gross profit from the sales of grain and cotton.

Income Tax Expense

The following table sets forth the components of the Group's corporate income tax expense for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2013	**2012**	**2013/2012**
	(KZT thousands)		*(%)*
Current tax charge	3,379,422	1,804,662	87.3
Deferred tax (credit)/charge – origination and reversal of temporary differences	(2,371,455)	(44,913)	5,180.1
Plus/(less): deferred tax recognised in other comprehensive income	689,065	(38,530)	(1,688.4)
Income tax expenses	**(1,697,032)**	**(1,721,219)**	**(1.4)**

For the year ended 31 December 2013, the Group recorded income tax expense of KZT 1,697,032 thousand compared to KZT 1,721,219 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 24,187 thousand, or 1.4%. This decrease was primarily attributable to the lower impairment charges recorded in respect of finance lease receivables.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by KZT 598,817 thousand, or 26.2%, to KZT 1,685,399 thousand for the year ended 31 December 2013 from KZT 2,284,216 thousand for the year ended 31 December 2012.

Results of Operations for the Year ended 31 December 2012 Compared to the Year Ended 31 December 2011

Revenue from Sales of Goods and Services

The Group's revenue from sales of goods and services is derived principally from activities conducted by FCC.

The following table sets forth certain information regarding the Group's revenue from sales of goods and services for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	**2011**	**2012/2011**
	(KZT thousands)		*(%)*
Sale of grain	66,537,219	58,013,219	14.7
Sale of cotton	3,393,465	2,030,272	67.1
Rendering of services	1,807,336	1,505,185	20.1
Other(1)	2,744,797	2,641,055	3.9
Total	**74,482,817**	**64,189,731**	**16.0**

Note:
(1) Principally comprising sales of meat and other animal related products including furs and pelts.

For the year ended 31 December 2012, total revenue from sales of goods and services increased by KZT 10,293,086 thousand, or 16.0%, to KZT 74,482,817 thousand from KZT 64,189,731 thousand for the year ended 31 December 2011. This increase was primarily due to an increase in revenue from the sale of grain.

Revenue from the sale of grain increased by KZT 8,524,000 thousand, or 14.7%, to KZT 66,537,219 thousand for the year ended 31 December 2012 from KZT 58,013,219 thousand for the year ended 31 December 2011. This increase was primarily due to the increase in the average price of grain sold in 2012 to KZT 37,877 thousand per tonne compared to an average price of grain sold of KZT 26,232 thousand per tonne in 2011, partially offset by a 17.2% year-on-year decrease in the volume of grain sold. The increase in the average price in 2012 compared to 2011 primarily reflected the higher average prices prevailing in the global market. The lower volumes of grain sold in 2012 compared to 2011 principally reflected the fact that the Group was not required to conduct extensive grain sales for most of 2012 following the good harvest in 2011 and the related sufficient supply in the local market, although, in line with its regulatory functions, the Group did effect some sales at fixed prices to curtail increases in the average market price.

Revenue from the Group’s sale of cotton increased by KZT 1,363,193 thousand, or 67.1%, to KZT 3,393,465 thousand for the year ended 31 December 2012 from KZT 2,030,272 thousand for the year ended 31 December 2011. This increase primarily reflected a 40.7% increase in the volume of cotton sold, partially offset by a 14% decrease in the market price for the raw cotton.

Cost of Sales

In any given year, cost of sales principally comprise the cost of grain sold and the cost of cotton sold in that year, which, in turn, primarily comprise amounts paid by FCC to purchase grain and cotton, which it then on-sells. Other cost of sales primarily includes amounts paid to purchase other agricultural products also for resale.

The following table sets forth certain information regarding the Group’s cost of sales for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	**2011**	**2012/2011**
	(KZT thousands)		*(%)*
Cost of grain sold	(41,366,615)	(50,667,627)	(18.4)
Cost of cotton sold	(3,531,252)	(1,571,596)	124.7
Cost of rendering services	(1,163,809)	(1,139,131)	2.2
Cost of tomato paste sold	(388,106)	(3,482)	11,046.1
Cost of flour	(251,051)	-	100
Cost of wool	(75,608)	(75,608)	-
Cost of dairy products	(181,533)	(181,533)	-
Other cost of sales(1)	(2,219,384)	(1,831,052)	21.2
Total	**(49,177,358)**	**(55,470,029)**	**(11.3)**

Note:
(1) Principally comprising the cost of meat and other animal products including furs and pelts.

For the year ended 31 December 2012, total cost of sales decreased by KZT 6,292,671 thousand, or 11.3%, to KZT 49,177,358 thousand from KZT 55,470,029 thousand for the year ended 31 December 2011. This decrease was primarily due to a decrease in the volume of grain sold.

The cost of grain sold decreased by KZT 9,301,012 thousand, or 18.4%, to KZT 41,366,615 thousand for the year ended 31 December 2012 from KZT 50,667,627 thousand for the year ended 31 December 2011. The decrease in the cost of grain sold primarily reflected the decrease in the volume of grain sold in 2012, compared to 2011, reflecting the sufficient market supply following the good harvest in 2011.

The cost of cotton sold increased by KZT 1,959,656 thousand, or 124.7%, to KZT 3,531,252 thousand for the year ended 31 December 2012 from KZT 1,571,596 thousand for the year ended 31 December 2011. The increase in the cost of cotton sold was primarily attributable to the higher volume of cotton sold.

Gross Profit

As a result of the foregoing, the Group's gross profit increased by KZT 16,585,757 thousand, or 190.2%, to KZT 25,305,459 thousand for the year ended 31 December 2012 from KZT 8,719,702 thousand for the year ended 31 December 2011.

Net Interest Income

The Group's net interest income is derived principally from the lending and leasing activities conducted by its subsidiaries (principally KazAgroFinance, ACC and the Fund), as well as the temporary placement of available funds for liquidity management purposes.

The following table sets forth the principal components of the Group's net interest income for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Interest income	24,349,898	24,615,056	(1.1)
Interest expense	(16,739,218)	(12,374,396)	35.3
Net interest income	**7,610,680**	**12,240,660**	**(37.8)**

Net interest income decreased by KZT 4,629,980 thousand, or 37.8%, to KZT 7,610,680 thousand for the year ended 31 December 2012 from KZT 12,240,660 thousand for the year ended 31 December 2011, primarily reflecting higher interest expense.

Interest Income

The following table sets forth the components of the Group's interest income for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Interest income on loans to customers	13,243,149	14,172,139	(6.6)
Interest income on finance lease receivables	7,779,551	6,326,835	23.0
Interest income on amounts due from credit institutions	1,644,207	1,933,256	(15.0)
Interest income from cash and cash equivalents	1,460,947	1,882,105	(22.4)
Interest income on investment securities available-for-sale	—	214,108	(100.0)
Other	222,044	86,613	156.4
Total interest income	**24,349,898**	**24,615,056**	**(1.1)**

Total interest income decreased by KZT 265,158 thousand, or 1.1%, to KZT 24,349,898 thousand for the year ended 31 December 2012 from KZT 24,615,056 thousand for the year ended 31 December 2011, primarily due to decreases in interest income on loans to customers, amounts due to credit institutions and cash and cash equivalents, partially offset by an increase in interest income on finance lease receivables.

For the year ended 31 December 2012, the Group recorded interest income on loans to customers of KZT 13,243,149 thousand compared to KZT 14,172,139 thousand for the year ended 31 December 2011, reflecting a decrease of

KZT 928,990 thousand, or 6.6%. This decrease was primarily attributable to a decrease in the average rate of interest earned on loans to customers in line with the lower lending rates prevailing in the Kazakhstan banking sector, partially offset by the growth in the size of the Group's loan portfolio. See "*Selected Statistical and Other Data—Loans to Customers*" and Note 10 to the Consolidated Financial Statements.

For the year ended 31 December 2012, the Group recorded interest income on finance lease receivables of KZT 7,779,551 thousand compared to KZT 6,326,835 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,452,716 thousand, or 23.0%. This increase was primarily attributable to an increase in demand for leased equipment from both existing and new customers, as a result of new programmes and products which offered additional opportunities for eligible counterparties to obtain lease financing from the Group, while leasing rates remained relatively stable. See "*Selected Statistical and Other Data—Finance Lease Receivables*" and Note 11 to the Consolidated Financial Statements.

For the year ended 31 December 2012, the Group recorded interest income on amounts due from credit institutions of KZT 1,644,207 thousand compared to KZT 1,933,256 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 289,049 thousand, or 15.0%. This decrease again primarily reflected the lower average lending rates prevailing in the Kazakhstan banking sector. See "*Selected Statistical and Other Data—Amounts due from Credit Institutions*" and Note 8 to the Consolidated Financial Statements.

For the year ended 31 December 2012, the Group recorded interest income from cash and cash equivalents of KZT 1,460,947 thousand compared to KZT 1,882,105 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 421,158 thousand, or 22.4%. This decrease was primarily attributable to the lower level of interest earning time deposits (in contrast to current accounts on which credit institutions generally pay interest at low rates, if at all), while average rates of interest earned on these time deposits remained relatively stable. See "*Selected Statistical and Other Data—Cash and Cash Equivalents*" and Note 7 to the Consolidated Financial Statements.

For the year ended 31 December 2012, the Group recorded no interest income on investment securities available-for-sale as it happened to hold no such instruments in 2012. For the year ended 31 December 2011, the Group recorded interest income on investment securities available-for-sale of KZT 214,108 thousand. See "*Selected Statistical and Other Data—Investment securities available-for-sale*" and Note 12 to the Consolidated Financial Statements.

Interest Expense

The following table sets forth the principal components of the Group's interest expense for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		(%)
Interest expense on debt securities issued	(9,945,900)	(8,531,968)	16.6
Interest expense on amounts due to credit institutions	(3,833,610)	(2,602,793)	47.3
Interest expense on amounts due to the Government of the Republic of Kazakhstan	(2,704,599)	(1,174,945)	130.2
Other	(255,109)	(64,690)	294.4
Total interest expense	**(16,739,218)**	**(12,374,396)**	**35.3**

Total interest expense increased by KZT 4,364,822 thousand, or 35.3%, to KZT 16,739,218 thousand for the year ended 31 December 2012 from KZT 12,374,396 thousand for the year ended 31 December 2011. This increase primarily reflected the higher outstanding principal amounts of interest-bearing liabilities.

For the year ended 31 December 2012, the Group recorded interest expense on debt securities issued of KZT 9,945,900 thousand compared to KZT 8,531,968 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,413,932 thousand, or 16.6%. This increase was primarily attributable to the higher average principal amount of such securities outstanding following the issue by FCC of domestic bonds under an existing local debt issuance programme in 2012. See "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*" and Note 24 to the Consolidated Financial Statements.

For the year ended 31 December 2012, the Group recorded interest expense on amounts due to credit institutions of KZT 3,833,610 thousand compared to KZT 2,602,793 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,230,817 thousand, or 47.3%. This increase was primarily attributable to the combined effects of the higher outstanding amounts due to credit institutions, as well as higher interest rates on bilateral loans obtained from both foreign and local lenders. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts due to credit institutions*" and Note 23 to the Consolidated Financial Statements.

For the year ended 31 December 2012, the Group recorded interest expense on amounts due to the Government of the Republic of Kazakhstan of KZT 2,704,599 thousand compared to KZT 1,174,945 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,529,654 thousand, or 130.2%. This increase was primarily attributable to the higher interest rates on amounts due to the Government, partially offset by the decrease in the average balance of such amounts following an increase in funding from the State Budget. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts due to the Government*" and Note 22 to the Consolidated Financial Statements.

Impairment Charge for Interest Earning Assets

The following table sets forth the principal components of the Group's impairment charge for interest earning assets for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Loans to customers	(8,266,006)	(1,690,074)	389.1
Finance lease receivables	(2,894,189)	(2,011,815)	43.9
Impairment charge for interest earning assets	**(11,160,195)**	**(3,701,889)**	**201.5**

For the year ended 31 December 2012, the Group recorded an impairment charge on interest earning assets of KZT 11,160,195 thousand compared to KZT 3,701,889 thousand for the year ended 31 December 2011, reflecting an increase of KZT 7,458,306 thousand, or 201.5%. This increase was primarily attributable to an increase in impairment charge on loans to customers.

For the year ended 31 December 2012, the Group recorded an impairment charge on loans to customers of KZT 8,266,006 thousand compared to KZT 1,690,074 thousand for the year ended 31 December 2011, reflecting an increase of
KZT 6,575,932 thousand, or 389.1%. This increase was primarily attributable to the recording of provisions on two historical loans, which management believes does not imply any deterioration in the overall credit quality of the loan portfolio. See "*Selected Statistical and Other Data—Loans to Customers—Analysis of Loans to Customers by Credit Quality"* and Note 28 to the 2012 Financial Statements.

For the year ended 31 December 2012, the Group recorded an impairment charge on finance lease receivables of KZT 2,894,189 thousand compared to KZT 2,011,815 thousand for the year ended 31 December 2011, reflecting an increase of KZT 882,374 thousand, or 43.9%. This increase was primarily attributable to the impairment of receivables under finance leases extended to the same problem borrowers as referred to above. See "*Selected Statistical and Other Data—Finance Lease Receivables—Analysis of Finance Lease Receivables by Credit Quality"*.

Net Interest Income (Expense) after Impairment Charge for Interest Earning Assets

As a result of the foregoing, the Group's net interest income after impairment charge for interest earning assets decreased by KZT 12,088,286 thousand, or 141.6%, to net interest expense after impairment charge of KZT 3,549,515 thousand for the year ended 31 December 2012 from net interest income after impairment charge of KZT 8,538,771 thousand for the year ended 31 December 2011.

Net Gains/Losses on Derivative Financial Assets

The following table sets forth the components of the Group's net losses on derivative financial assets for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Realised gains on derivative financial assets	1,236,385	1,384,601	(10.7)
Unrealised losses on derivative financial assets	(1,202,855)	(3,553,331)	(66.1)
Net gains/(losses) on derivative financial assets	**33,530**	**(2,168,730)**	**101.5**

For the year ended 31 December 2012, the Group recorded KZT 33,530 thousand in net gains on derivative financial assets compared to net losses of KZT 2,168,730 thousand for the year ended 31 December 2011.

For the year ended 31 December 2012, the Group recorded KZT 1,236,385 thousand of realised gains on derivative financial assets compared to KZT 1,384,601 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 148,216 thousand, or 10.7%. This decrease was primarily attributable to changes in spot foreign exchange rates, which, in turn, reflected the depreciation of the Tenge against relevant foreign currencies, in particular, the U.S.Dollar and the Euro.

For the year ended 31 December 2012, the Group recorded KZT 1,202,855 thousand of unrealised losses on derivative financial assets compared to KZT 3,553,331 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 2,350,476 thousand, or 66.1%. This decrease was primarily attributable to the lower notional amount of such assets reflecting the repayment of indexed loans, reduced levels of foreign exchange rate volatility and the shorter remaining maturities of the underlying loans and leases. See Note 9 to the Consolidated Financial Statements.

Net Gains (Losses) from Foreign Currencies

For the year ended 31 December 2012, the Group recorded a loss of KZT 481,819 thousand from foreign currencies compared to a gain of KZT 65,635 thousand for the year ended 31 December 2011. The loss recorded in 2012 reflected the effect of the Group's net short position in foreign currencies, in particular, the U.S.Dollar and the Euro, and the depreciation of the Tenge against such currencies. The gain recorded in 2011 reflected opposite movements in the rates of exchange between the Tenge and relevant foreign currencies.

Share in (Loss) / Profit of Associates

For the year ended 31 December 2012, the Group recorded a share in the losses of associates of KZT 55,432 thousand compared to a share in the losses of associates of KZT 173,055 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 117,623 thousand, or 68.0%.

Other Income

The following table sets forth the components of the Group's other income for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Fines and penalties received	1,313,296	68,563	1,815.5
Dividend income	532,003	31,142	1,608.3
Fees and commissions received	340,647	152,365	123.6
Income from revaluation of investment securities	82,530	—	100.0
Gain from initial recognition of loans received from Islamic development Bank	61,430	—	100.0
Insurance services	57,607	49,640	16.0
Income from sales of investment securities	41,294	—	100.0
Gain from sale of assets held for sales	20,862	—	100.0
Gains/(losses) on sale of property and equipment	(36,632)	225,794	(116.2)
Other	221,124	228,596	16.8
Other income	**2,680,032**	**756,100**	**254.5**

For the year ended 31 December 2012, the Group recorded other income of KZT 2,680,032 thousand compared to KZT 756,100 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,923,932 thousand or 254.5%. This increase was primarily attributable to increases in fines and penalties, management fees received and dividend income, partially offset by losses on the sale of property and equipment.

For the year ended 31 December 2012, the Group recorded income from fines and penalties received of KZT 1,313,296 thousand compared to KZT 68,563 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,244,733 thousand, or 1,815.5%. This increase was primarily attributable to fines and penalties assessed by FCC against grain-producing counterparties for late payments under forward purchase contracts for grain, in part reflecting the bad harvest in 2012. See "*Business—Principal Business Activities—FCC—Collection, Storage and Distribution Operations*".

For the year ended 31 December 2012, the Group recorded dividend income of KZT 532,003 thousand compared to KZT 31,142 thousand for the year ended 31 December 2011, reflecting an increase of KZT 500,861 thousand, or 1,608.3%. This increase was primarily attributable to a special dividend received on shares of JSC Kazakhtelecom held by the Group.

For the year ended 31 December 2012, the Group recorded income from fees and commissions received of KZT 340,647 thousand compared to KZT 152,365 thousand for the year ended 31 December 2011, reflecting an increase of KZT 188,282 thousand, or 123.6%. This increase was primarily attributable to the increase in fees earned by the Fund as agent for the State in the implementation of a programme to provide insurance covering certain risks of crop growing and as agent for local authorities under programmes providing mortgage loans to farmers, both of which experienced higher numbers of customers in 2012 compared to 2011.

For the year ended 31 December 2012, the Group recorded losses on sale of property and equipment of KZT 36,632 thousand compared to gains on sale of property and equipment of KZT 225,794 thousand for the year ended 31 December 2011. The losses on sale of property and equipment in 2012 were primarily attributable to losses on ordinary course sales of non-productive assets at fair market value by certain of the Group's subsidiaries, while the gains on sale of property and equipment in 2011 were primarily attributable to assets received in foreclosure.

Net Other Operating Gains / (Losses)

As a result of the foregoing, the Group recorded net other operating gains of KZT 2,176,311 thousand for the year ended 31 December 2012 compared to net other operating losses of KZT 1,520,050 thousand for the year ended 31 December 2011.

Personnel Expenses

The following table sets forth the components of the Group's personnel expenses for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Salaries and bonuses	(4,371,748)	(4,134,509)	5.7
Social security costs	(423,711)	(406,199)	4.3
Personnel expenses	**(4,795,459)**	**(4,540,708)**	**5.6**

For the year ended 31 December 2012, the Group recorded personnel expenses of KZT 4,795,459 thousand compared to KZT 4,540,708 thousand for the year ended 31 December 2011, reflecting an increase of KZT 254,751 thousand, or 5.6%. This increase was primarily attributable to increases in salaries for certain groups of employees within the established ranges of salaries for such employees, and the corresponding increase in social security costs payable in respect of such salaries.

Selling Expenses

The following table sets forth the principal components of the Group's selling expenses for the periods indicated:

	For the year ended 31 December		Percentage change
	2012	2011	2012/2011
	(KZT thousands)		*(%)*
Grain storage expenses	(6,060,733)	(2,618,949)	131.4
Salaries and related taxes	(1,390,604)	(1,301,684)	6.8
Dispatching services	(214,936)	(12,541)	1,613.9
Materials	(95,562)	(74,772)	27.8
Marketing	(59,489)	(32,349)	83.9
Depreciation and amortisation	(36,817)	(52,387)	(29.7)
Other selling expenses	(313,135)	(659,989)	(52.5)
Total selling expenses	**(8,171,276)**	**(4,752,671)**	**71.9**

For the year ended 31 December 2012, the Group recorded total selling expenses of KZT 8,171,276 thousand compared to KZT 4,752,671 thousand for the year ended 31 December 2011, reflecting an increase of KZT 3,418,605 thousand, or 71.9%. This increase was primarily attributable to increases in expenses for grain storage and loading operations and transportation, which were partially offset by a decrease in other selling expenses, the principal components of which relate to travel, the certification and testing of grain, financial services, leases for operating premises and communication.

For the year ended 31 December 2012, the Group recorded grain storage expenses of KZT 6,060,733 thousand compared to KZT 2,618,949 thousand for the year ended 31 December 2011, reflecting an increase of KZT 3,441,784 thousand, or 131.4%. This increase was primarily attributable to the increased costs associated with the storage of the high volumes of grain purchased following the good harvest in 2011.

For the year ended 31 December 2012, the Group recorded dispatching services expenses of KZT 214,936 thousand compared to KZT 12,541 thousand for the year ended 31 December 2011, reflecting an increase of KZT 202,395 thousand, or 1,613.9%. This increase was also primarily attributable to the increased costs associated with the increased volumes of grain purchased and stored following the good harvest in 2011.

For the year ended 31 December 2012, the Group recorded other selling expenses of KZT 313,135 thousand compared to KZT 659,989 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 346,854 thousand, or 52.5%. This decrease principally reflected the exceptional expenses incurred and recorded as selling expenses in 2011 for the temporary outsourcing of certain personnel and travel services as a result of the rapid growth in the Group's lending and leasing activities in that year, as well as a reclassification in 2012 of certain selling expenses as impairment charge on interest earning assets.

Net Losses on Initial Recognition of Loans to Customers

In the ordinary course of business, the Group extends loans to its customers at below market interest rates. These loans are initially recorded at their fair value determined as a present value of discounted future cash flows from the instrument. The discount rate used is a market interest rate for instruments with similar credit characteristics and risks. When these loans are not funded by the Company's shareholder, the Group recognises the difference between the fair value of the loans and their notional amount as a loss on initial recognition.

For the year ended 31 December 2012, the Group recorded net losses on initial recognition of loans to customers of KZT 345,261 thousand compared to net losses of KZT 262,797 thousand for the year ended 31 December 2011, reflecting an increase of KZT 82,464 thousand, or 31.4%. This increase was primarily attributable to the increased relative contribution to the Group's overall funding from funding sources other than concessional rate loans from the Company's shareholder and the National Fund in 2012.

Other Operating Expenses

The following table sets forth the components of the Group's other operating expenses for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2012	**2011**	**2012/2011**
	(KZT thousands)		*(%)*
Depreciation and amortisation	(439,778)	(452,558)	(2.8)
Taxes other than income	(433,358)	(388,345)	11.6
Rent	(347,628)	(282,326)	23.1
Professional services	(282,571)	(138,106)	104.6
Materials	(503,909)	(172,031)	193.0
Business trip and representation expenses	(230,907)	(131,378)	75.8
Repairs and maintenance expenses	(215,515)	(129,992)	65.8
Advertising and marketing expenses	(206,770)	(131,714)	57.0
Communication expenses	(170,185)	(106,616)	59.6
Bank fees	(109,993)	(73,463)	49.7
Software development expenses	(91,082)	(43,748)	108.2
Events organisations	(83,911)	(92,511)	(9.3)
Insurance	(77,286)	(35,168)	119.8
Charity and sponsorship expenses	(52,224)	(72,080)	(27.5)
Training	(39,284)	(8,084)	385.9
Third-party services	(28,468)	(4,810)	491.9
Utilities	(26,873)	(22,827)	17.7
Security	(20,609)	(17,727)	(100.0)
Transport and forwarding expenses	(18,863)	(31,487)	(40.1)
Stationary	(17,802)	(11,820)	50.6
Other	(945,723)	(535,235)	76.7
Other operating expenses	**(4,342,739)**	**(2,882,026)**	**50.7**

For the year ended 31 December 2012, the Group recorded other operating expenses of KZT 4,342,739 thousand compared to KZT 2,882,026 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,460,713 thousand, or 50.7%. This increase was primarily attributable to increases in most components of other operating expenses in line with the overall growth in the Group's business, including a 104.6% increase in professional services, a 193.0% increase in the cost of materials (spare parts), a 76.7% increase in other various other operating expenses, principally including the loss on the disposal of JSC Kazbeef following management's decision to sell this non-core business and notwithstanding that the sale was effected on market terms and conditions.

Other Reversal / Impairment Charge

For the year ended 31 December 2012, the Group recorded an impairment charge of KZT 2,272,085 thousand compared to a reversal of an impairment charge of KZT 300,270 thousand for the year ended 31 December 2011. The impairment charge recorded in 2012 was primarily recorded in respect of accounts receivable (KZT 726,160 thousand), advances paid (KZT 340,475 thousand), assets held for finance lease (KZT 509,333 thousand) and property (KZT 940,057 thousand), partially offset by the reversal of impairment charge for VAT and other taxes recoverable (KZT 326,919 thousand).

The reversal of impairment charge recorded in 2011 was primarily attributable to the reversal of impairment charge for advances paid (KZT 865,513 thousand).

For details of the movement in other impairment allowances for the period, see Note 41 to the Consolidated Financial Statements.

Reversal / (Provisions) for Contingent Liabilities

For the year ended 31 December 2012, the Group did not make any provision for contingent liabilities. For the year ended 31 December 2011, the Group recorded a reversal of provisions for contingent liabilities of KZT 1,002,400 thousand in provisions previously recorded in respect of guarantees issued for grain receipts in respect of which the outflow of resources was probable. These provisions were reversed following the conclusion of related litigation in favour of the Group in 2011.

Non-Interest Expense

As a result of the foregoing, the Group's non-interest expense increased by KZT 8,791,288 thousand, or 78.9%, to KZT 19,926,820 thousand for the year ended 31 December 2012 from KZT 11,135,532 thousand for the year ended 31 December 2011.

Profit Before Income Tax Expense

As a result of the foregoing, for the year ended 31 December 2012, the Group recorded profit before income tax expense of KZT 4,005,435 thousand compared to KZT 4,602,891 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 597,456 thousand, or 13.0%.

Income Tax Expense

The following table sets forth the components of the Group's corporate income tax expense for the periods indicated:

	For the year ended 31 December		**Percentage change**
	2012	**2011**	**2012/2011**
	(KZT thousands)		*(%)*
Current tax charge	1,804,662	1,269,888	42.1
Deferred tax (credit)/charge – origination and reversal of temporary differences	(44,913)	(2,155,605)	(97.9)
Plus/(less): deferred tax recognised in other comprehensive income	(38,530)	1,413,277	(102.7)
Income tax expenses	**1,721,219**	**527,560**	**226.3**

For the year ended 31 December 2012, the Group recorded income tax expense of KZT 1,721,219 thousand compared to KZT 527,560 thousand for the year ended 31 December 2011, reflecting an increase of KZT 1,193,659 thousand, or 226.3%. This increase was primarily attributable to the higher impairment charge recorded in respect of finance lease receivables, construction in progress and property held for leasing, all of which are non-deductible, as well as the non-deductible loss on the disposal of JSC Kazbeef in 2012. See Note 27 to the Consolidated Financial Statements.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by KZT 1,791,115 thousand, or 44%, to KZT 2,284,216 thousand for the year ended 31 December 2012 from KZT 4,075,331 thousand for the year ended 31 December 2011.

Liquidity and Capital Resources

Cash Flows

The following table sets forth certain information regarding the principal items of the statement of cash flows for the periods indicated:

	For the year ended 31 December			Percentage change	
	2013	2012	2011	2013/2012	2012/2011
		(KZT thousands)		*(%)*	
Net cash flows used in operating activities	(148,898,927)	(2,910,717)	(136,862,443)	5,015.5	(97.9)
Net cash flows used in investing activities	(769,754)	(1,288,836)	(1,037,565)	(40.3)	24.2
Net cash flows from financing activities	140,425,790	13,810,535	85,427,255	916.8	(83.8)

Net Cash Used in Operating Activities

Net cash flows used in operating activities principally reflect the application of cash to fund the Group's lending and leasing activities and to effect purchases of grain, for commercial purposes and to regulate the market.

For the year ended 31 December 2013, net cash flows used in operating activities were KZT 148,898,927 thousand compared to KZT 2,910,717 thousand for the year ended 31 December 2012, reflecting an increase of KZT 145,988,210 thousand, or 5,015.5%. This increase was primarily attributable to the receipt of net proceeds from the Eurobond Offering issued in the year ended 31 December 2013 that resulted in an increased volume of loans and amounts with financial institutions.

For the year ended 31 December 2012, net cash flows used in operating activities were KZT 2,910,717 thousand compared to KZT 136,862,443 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 133,951,726 thousand, or 97.9%. This decrease was primarily attributable to the shift in FCC's grain trading activities from net sales in 2012 compared to net purchases in 2011, which in turn reflected the continuing effects of the good harvest in 2011, as well as the relatively lower aggregate amount of cash used by the Group in its lending and leasing activities in 2012 compared to 2011, following the significant growth in loans to customers in 2011.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities principally reflect proceeds from the sale of property and equipment, amounts used for the purchase of property and equipment, amounts attributed to the purchase of intangible assets, proceeds from the sale of investments in associates and joint ventures and dividends received.

For the year ended 31 December 2013, net cash flows used in investing activities were KZT 769,754 thousand compared to KZT 1,288,836 thousand for the year ended 31 December 2012, reflecting a decrease of KZT 519,082 thousand, or 40.3%. The decrease in net cash flows used in investing activities for the year ended 31 December 2013 compared to the year ended 31 December 2012 was primarily attributable to decreased purchases of property and equipment.

For the year ended 31 December 2012, net cash flows used in investing activities were KZT 1,288,836 thousand compared to KZT 1,037,565 thousand for the year ended 31 December 2011, reflecting an increase of KZT 251,271 thousand, or 24.2%. The increase in net cash flows used in investing activities for the year ended 31 December 2012 compared to the year ended 31 December 2011 reflected the decrease in the proceeds received from the sale of property and equipment, which was partially offset by the increase in dividends received (principally the special dividend received on shares of JSC Kazakhtelecom, as well as the decrease in cash used for purchases of property and equipment).

Net Cash Flows from Financing Activities

Net cash flows from financing activities principally reflect proceeds from the issuance of share capital, proceeds from debt securities issued, proceeds from amounts due to the Government, redemption of amounts due to the Government of the Republic of Kazakhstan, proceeds from amounts due to credit institutions and redemption of amounts due to credit institutions.

For the year ended 31 December 2013, net cash flows from financing activities were KZT 140,425,790 thousand compared to KZT 13,810,535 thousand for the year ended 31 December 2012, reflecting an increase of KZT 126,615,255 thousand, or 916.8%. This increase was primarily attributable to the receipt of proceeds from the Eurobond Offering.

For the year ended 31 December 2012, net cash flows from financing activities were KZT 13,810,535 thousand compared to KZT 85,427,255 thousand for the year ended 31 December 2011, reflecting a decrease of KZT 71,616,720 thousand, or 83.8%. This decrease was primarily attributable to the decrease in proceeds from the issue of share capital and the higher redemptions of both amounts due to the Government and amounts due to credit institutions, which were partially offset by increases in proceeds from debt securities issued, amounts due to the Government and amounts due to credit institutions.

Capital Expenditures

The following table sets forth certain information regarding the Group's total capital expenditures, by segment, for the periods indicated:

	For the year ended 31 December			Percentage change	
	2013	**2012**	**2011**	**2013/2012**	**2012/2011**
		(*KZT thousands*)		(%)	
Agricultural machinery and equipment and cattle for financial lease	—	3,836,108	—	—	100.0
Buildings	34,217	1,681,625	1,643,256	(98.0)	2.3
Equipment and machinery for the Group's own use	394,825	546,455	902,685	(27.8)	(39.5)
Construction-in-progress	248,921	851,200	1,636,871	(70.8)	(48.0)
Construction preparation and design	—	396,849	636,336	—	(37.6)
Vehicles (trucks and cars)	70,688	403,257	429,971	(81.4)	(6.2)
Computers	—	37,385	—	—	100.0
Intangible assets	106,218	69,553	171,043	52.7	(59.3)
Other	97,126	113,878	101,515	(11.7)	12.2
Total capital expenditures	**951,995**	**7,936,311**	**5,521,678**	**(87.9)**	**43.7**

The Group's total capital expenditures for the year ended 31 December 2013 were KZT 951,995 thousand compared to KZT 7,936,311 thousand and KZT 5,521,678 thousand for the years ended 31 December 2012 and 2011. While noting that the capital expenditure classified as agricultural machinery and equipment and cattle for financial lease comprises a reclassification of certain components of various expenditure items, which was introduced for accounting purposes in 2012, a higher level of investment in these assets for finance lease principally comprised the increase in capital expenditures for the year ended 31 December 2012 compared to the year ended 31 December 2011. This increase in investment in agricultural machinery and equipment and cattle for finance lease was in line with the overall growth in the Group's finance leasing activities.

For the year ended 31 December 2013, the Group's most significant capital expenditures included equipment and machinery for the Group's own use (such as vehicles) and construction-in-progress (principally relating to grain storage facilities and dairy and other agricultural processing plants).

Capital expenditures are projected according to the annual budget for the Company's planned fiscal year and the Company's five-year plan approved by the Board of Directors.

By the end of 2013, the Company purchased fixed assets of KZT 846,696 thousand and intangible assets of KZT 106,218 thousand. According to the budget for 2014, the Company plans fixed asset acquisitions of KZT 141,467 thousand and intangible assets of KZT 201,504 thousand.

For the year ended 31 December 2012, the Group's most significant capital expenditures included investment in agricultural equipment and machinery for finance leasing and purchases of cattle (KZT 3,836,108 thousand), construction in progress (principally grain storage facilities and dairy and other agricultural processing plants) (KZT 851,200 thousand) and general equipment and machinery for the Group's own operations (such as vehicles) (KZT 546,455 thousand).

For the year ended 31 December 2011, the Group's most significant capital expenditures included construction and completion of buildings (principally feeding and slaughtering facilities) (KZT 1,643,256 thousand), construction in progress (principally grain storage facilities) (KZT 1,636,871 thousand) and general equipment and machinery for the Group's own operations (particularly at FCC) (KZT 902,685 thousand).

SELECTED STATISTICAL AND OTHER DATA

The selected statistical information and other data set forth below have been extracted, subject to rounding, without material adjustment from the Consolidated Financial Statements, which are included elsewhere in this Base Prospectus and from management reports and accounting records. The selected statistical information and other data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, as well as the information set forth under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" included in this Base Prospectus. Unless otherwise indicated, all figures are expressed in or derived from amounts in Tenge.

Cash and Cash Equivalents

The following table sets forth an analysis of the Group's cash and cash equivalents as at the dates indicated:

	As at 31 December					
	2013		**2012**		**2011**	
	(*KZT thousands*)	(%)	(*KZT thousands*)	(%)	(*KZT thousands*)	(%)
Cash on hand	6,608	0.0	4,458	0.0	19,432	0.0
Current accounts with credit institutions	55,817,458	100.0	58,701,555	91.1	44,644,364	81.5
Time deposits with credit institutions	-	-	5,708,573	8.9	10,120,087	18.5
Cash and cash equivalents	**55,824,066**	**100**	**64,414,586**	**100.0**	**54,783,883**	**100.0**

Cash and cash equivalents decreased by KZT 8,590,520 thousand or 13.3% to KZT 55,824,066 thousand as at 31 December 2013 compared to KZT 64,414,586 thousand as at 31 December 2012, having decreased by KZT 9,630,703 thousand, or 17.6% as at 31 December 2012 from KZT 54,783,883 thousand as at 31 December 2011. The decrease in cash and cash equivalents was principally due to a decrease in sales of grain revenue linked to a good harvest in 2013.

The increase in 2012 compared to 2011 was principally due to the receipt of higher proceeds from the sale of grain as a result of higher prices in the grain market in 2012. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Cash Flows*".

As at 31 December 2013, the Group had a concentration of cash balances due from one bank, which represented KZT 11,954,103 thousand, or 21% of total cash and cash equivalents, compared to KZT 17,989,083 thousand, or 28% of total cash and cash equivalents, and KZT 21,641,117 thousand, or 40% of total cash and cash equivalents, as at 31 December 2012 and 2011, respectively.

Amounts due from Credit Institutions

The following table sets forth an analysis of the Group's amounts due from credit institutions as at the dates indicated:

	As at 31 December					
	2013		**2012**		**2011**	
	(*KZT thousands*)	(%)	(*KZT thousands*)	(%)	(*KZT thousands*)	(%)
Cash in banks to cover letters of credit	12,023,058	10.4	9,401,712	61.6	9,899,553	53.0
Time deposits for more than 90 days	103,934,531	89.7	5,958,215	39.1	8,907,524	47.6
Less: Allowance for impairment	(104,282)	(0.1)	(104,282)	(0.7)	(104,282)	(0.6)
Amounts due from credit institutions	**115,853,307**	**100.0**	**15,255,645**	**100.0**	**18,702,795**	**100.0**

Amounts due from credit institutions increased by KZT 100,597,662 thousand, or 659.4%, to KZT 115,853,307 thousand as at 31 December 2013, from KZT 15,255,645 thousand as at 31 December 2012, having decreased by KZT 3,447,150 thousands or 18.4% as at 31 December 2011 from KZT 18,702,795 thousand.

The increase in 2013 compared to 2012 was principally due to net proceeds from the Eurobond Offering which were partially invested in deposits with credit institutions.

The decrease in 2012 compared to 2011 was principally due to a decrease in the level of time deposits reflecting the use of these funds during 2012 for the Group's lending and leasing operations.

As at 31 December 2013, the Group had a concentration of time deposits due from one bank of KZT 38,990,643 thousand, or 34% of the total amounts due from credit institutions, compared to KZT 5,782,883 thousand, or 38% of the total amounts due from credit institutions in 2012 and KZT 6,199,339 thousand, or 33% of the total amounts due from credit institutions in 2011.

Loans to Customers

Loans to customers increased by KZT 47,625,950 thousand, or 31.4%, to KZT 199,326,232 thousand as at 31 December 2013 from KZT 151,700,282 thousand as at 31 December 2012, having increased by increased by KZT 2,418,697 thousand, or 1.6%, from KZT 149,281,585 thousand as at 31 December 2011.

These year-on-year increases principally reflected the overall organic growth of the Group's loan portfolio as a result of the increase in funding of the Group by the Government and National Fund in accordance with the Government's policy, the implementation of Government's programmes and the Eurobond Offering.

Loans by Type of Customer

The following table sets forth an analysis of the Group's loan portfolio, before allowances for impairment, by type of customer, as at the dates indicated:

	As at 31 December					
	2013		**2012**		**2011**	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Legal entities	177,188,905.79	78.84	146,457,935	83.9	147,424,864	89.1
Individuals	47,556,294.21	21.16	28,145,610	16.1	18,057,537	10.9
Total gross loans to customers	**224,745,200**	**100**	**174,603,545**	**100.00**	**165,482,401**	**100.00**

As at 31 December 2013, loans to legal entities represented 78.84% of total loans to customers compared to 83.9% and 89.1% as at 31 December 2012 and 2011, respectively. As at 31 December 2013, loans to individuals represented 21.16% of total loans to customers compared to 16.1% and 10.9% as at 31 December 2012 and 2011, respectively.

Concentration of Loans to Customers

As at 31 December 2013, the Group had a concentration of loans represented by KZT 28,943,441 thousand, or 12.9% of total gross loans to customers, from the ten largest third-party entities, compared to KZT 38,886,161 thousand, or 22.3% of total gross loans to customers, and KZT 45,265,285 thousand, or 27.4% of total gross loans to customers, as at 31 December 2012 and 2011, respectively.

Loans by Economic Sector

As at each of 31 December 2013, 2012 and 2011, 100% of total loans to customers comprised loans to customers operating in the agricultural industry.

Loans by Geographic Sector

As at each of 31 December 2013, 2012 and 2011, 100% of total loans to customers comprised loans to customers in Kazakhstan.

Loans by Maturity

The following table sets forth an analysis of the Group's loan portfolio, after allowances for impairment, by maturity, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Up to three months	45,910,459	23.0	11,002,567	7.3	8,968,848	6.0
Over three months up to one year	20,852,455	10.5	31,823,507	21.0	49,058,394	32.9
Over one year up to five years	72,757,118	36.5	33,494,552	22.1	39,074,809	26.2
Over five years	34,454,956	17.3	53,837,487	35.5	29,091,822	19.5
Overdue	25,351,245	12.7	21,542,169	14.2	23,087,712	15.5
Total net loans to customers	**199,326,232**	**100**	**151,700,282**	**100.00**	**149,281,585**	**100.00**

The Group's loans are relatively long-term, with 17.3% of the Company's net loans to customers having a maturity of more than five years until maturity as at 31 December 2013 compared to 35.5% and 19.5% as at 31 December 2012 and 2011, respectively, and loans to customers with maturities ranging from one year to five years comprising a further 36.5% of total net loans as at 31 December 2013 compared to 22.1% and 26.2% as at 31 December 2012 and 2011, respectively. Loans to customers with shorter-terms between three months to one year until maturity comprised 10.5% of total net loans to customers as at 31 December 2012 compared to 21.0% and 32.9% as at 31 December 2012 and 2011, respectively. Loans to customers with maturities of less than three months until maturity comprised 23.0%, 7.3%, and 6.0% of total net loans to customers as at 31 December 2013, 2012 and 2011, respectively.

Overdue loans comprised 12.7% of total net loans to customers as at 31 December 2013, compared to 14.2% and 15.5% as at 31 December 2012 and 2011, respectively.

The overall improvement in credit quality in 2013 was attributable to the impact of favourable weather conditions on grain production, the transition of certain projects from an investment phase into an operating phase and the continuing application of the Group's conservative lending policy. The overall improvement in credit quality in 2012 reflected the continuing application of the Group's increasingly conservative lending policies in the context of its growing loan portfolio.

Loans by Size

The following table sets forth an analysis of the Group's loan portfolio, before allowances for impairment, by size, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	Principal Amount	**No. of Customers**	**Principal Amount**	**No. of Customers**	**Principal Amount**	**No. of Customers**
	(KZT thousands)		*(KZT thousands)*		*(KZT thousands)*	
Up to KZT 1 million	4,991,818	12,129	6,306,970	16,274	5,730,046	17,382
Over KZT 1 million up to 10 million	27,140,433	8,903	13,485,763	4,583	8,292,581	332
Over KZT 10 million up to 50 million	19,205,048	1,032	22,206,564	1,119	16,052,282	761
Over KZT 50 million up to 150 million	17,675,041	201	22,579,847	226	18,534,881	180
Over KZT 150 million up to 300 million	23,168,332	106	22,659,689	107	20,689,366	82
Over KZT 300 million up to 500 million	22,288,493	56	20,278,587	54	15,025,190	43
Over KZT 500 million	110,283,034	93	67,086,125	7,126	81,158,055	5,864
Total gross loans to customers	**224,745,200**	**22,520**	**174,603,545**	**29,489**	**165,482,401**	**27,632**

As at 31 December 2013, the Group's largest loans with a principal amount of over KZT 500 million comprised 49.1% of the Group's total gross loan portfolio (by principal amount), and were held by 0.4% of customers (compared to 38.4% and 24.2%, respectively, as at 31 December 2012 and 49.0% and 21.2%, respectively, as at 31 December 2011), while the Group's smallest loans with a principal amount of less than KZT 10 million comprised 14.3% of the Group's total gross loan portfolio (by principal amount) but were held by 93.4% of customers (compared to 11.3% and 70.7%, respectively, as at 31 December 2012 and 8.5% and 64.1%, respectively, as at 31 December 2011). As at each of 31

December 2013, 2012 and 2011, the balance of the Group's loans were spread relatively evenly by both principal amount and numbers of customers. While such medium-sized loans with principal amounts ranging between KZT 10 million and KZT 500 million comprised 36.6%, 50.2%, and 42.5% of the Group's total gross loan portfolio (by principal amount) as at 31 December 2013, 2012 and 2011, respectively, these loans were held by 6.2%, 5.1% and 3.9%, respectively, of customers as at the same dates.

Credit Policies and Approval Procedures

Each of the Group's subsidiaries engaged in lending and leasing activities has its own credit policies and approval procedures, which have been established by the board of directors of the relevant subsidiary, although the principal guidelines underlying these policies and procedures are, in each case, generally the same. Among other things, the credit policies limit the permitted exposure of each subsidiary to any single borrower or group of affiliated borrowers to 25% of the total equity of the relevant subsidiary at any given time. Management believes that, as at the date of this Base Prospectus, each of the Group's subsidiaries is in compliance with the limit on exposure to borrowers.

Credit applications made by potential borrowers or lessees must be accompanied by a package of supporting documents, which comprises, at a minimum, the applicant's constitutional and statutory documents, financial statements and other financial reports, business plan and documents relating to the proposed security for the loan of finance lease. The subsidiary may require further documentation, as necessary.

Each subsidiary has a number of additional departments, which have particular focuses and expertise and are involved in the review and analysis of each credit application, as applicable. These credit checks generally include the review of the financial reports, business plans, collateral documents and constitutive documents of the applicant. Once these credit checks have been completed, the results are submitted to the relevant Subsidiary Risk Management Department (as defined below), which, in turn, prepares its recommendations in relation to the application and assigns an internal credit rating to the applicant or the project.

Each subsidiary also has its own credit committee (each, a "**Subsidiary Credit Committee**"), which is responsible for final decisions on any credit application based on information and analyses submitted by the departments through which the application is made, as well as the conclusion of the Subsidiary Risk Management Department in respect of the application. See "*Asset Liability and Management—Credit Committees*". In addition, KazAgroFinance's constitutive documents require that any indebtedness to be incurred in excess of 10.0% of KazAgroFinance's capital must be approved by the board of directors of KazAgroFinance.

Financing provided for investment projects, which is initially funded using funds provided by the National Fund, also requires the approval of a Public Committee (an independent body created to monitor the use of the funds provided by the National Fund and comprised of members of Parliament, members of the leading political party, Nur Otan, and representatives of the Ministry of Agriculture and agricultural associations), as well as the approval of the Company's Management Board (the "**Company's Management Board**").

Credit Monitoring

The Group's subsidiaries engaged in lending and leasing activities have developed policies and procedures for the monitoring, assessment and management of credit exposures, including guidelines to limit portfolio concentration. Each subsidiary has its own risk management department, which is responsible for evaluating the subsidiary's credit portfolios and for establishing allowances and provisions in relation thereto (each, a "**Subsidiary Risk Management Department**"). Each Subsidiary Credit Committee also actively monitors the individual credit risk of the relevant subsidiary. See "*Asset and Liability Management—Credit Committees*". In addition, the Company has its own Risk Management Department, which is responsible for supervising the overall lending and leasing activities of all subsidiaries engaged in lending or leasing activities and to monitor and improve the quality of their credit portfolios. See "*Asset and Liability Management—General*".

The credit quality of the loan or financial lease is assessed using internal credit ratings established for all subsidiaries. See "*—Credit Classification Policies*". The credit rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk.

Once a loan or finance lease transaction has been approved, the relevant Subsidiary Risk Management Department will monitor the instrument on an ongoing basis as follows: (i) compliance with the intended purpose of the loan or finance lease is assessed within three months from the disbursement of the loan or finance lease; (ii) the financial standing of the borrower is assessed on a quarterly basis and more frequently, as required, upon occurrence of certain events;

(iii) the value and quality of collateral and leased assets is assessed at least once every six months; (iv) any collateral in excess of a certain threshold is re-valued by an independent appraiser annually; (iv) insurance in respect of collateral and leased assets is renewed on a timely basis; and (v) the implementation of investment projects is assessed on an annual basis.

Monitoring reports are produced in respect of each credit. Such reports are based on standard templates approved by the Company's Management Board and are subject to periodic review by the Company's Risk Management Department to ensure compliance with both the relevant subsidiary's internal requirements and applicable local law and regulations.

Problem loans and finance leases are handled by the relevant Banking Subsidiary's Problem Loan Department, which will assess whether it is possible to restructure the instrument or whether foreclosure should be initiated.

See also Note 43 to the Consolidated Financial Statements.

Credit Classification Policies

Previously, the mechanism for creating provisions (reserves) for the purpose of compliance reporting to the NBK was carried out in accordance with the old rules established by the authorised body for regulation and supervision of the financial market and financial organisations of the Republic of Kazakhstan, which is a committee of the NBK using the "*Rules for the Classification of Assets, Contingent Obligations and Creation Provisions (Reserves) Against Them"*, approved by Resolution No. 296 of the Board of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations dated 25 December 2006. Classifications were based on certain criteria, including an entity's financial standing, late payment, quality of collateral, improper use of funds borrowed and the presence of credit ratings. The classification of an asset was determined based on the results of classification according to the criteria, according to which provisions (reserves) were created with respect to the asset.

In 2013, the NBK introduced the "*Rules on Creating Provisions (Reserves) in Accordance with IFRS and the Requirements of the Accounting Legislation of the Republic Of Kazakhstan and Financial Reporting*" (the "**Rules**"), which were approved by a Resolution of the Board of the NBK on 23 February 2013. The Rules amended the methodology for the classification of assets (including the creation of provisions (reserves)) in accordance with IFRS.

According to the Rules, financial assets are divided into the following categories:

- Assets assessed on a group basis (which encompass assets with similar characteristics); and
- Assets assessed on an individual basis (which encompass individual assets having significant independent value.

The Group developed, and its executive bodies approved, the Asset Impairment Methodologies (the "**Methodology**"), developed in accordance with the requirements of the IFRS, in particular IAS 39 "*Financial Instruments - Recognition and Assessment*" and IAS 36 "*Impairment of Assets*".

The Methodology provides a list of criteria in order to determine an asset's impairment. These criteria include whether the asset is deemed an "individually significant asset", the size of the asset and various risk characteristics. The Methodology also provides the process for calculating future cash flow forecasts and the value of collateral. Individual assets which demonstrate elements of impairment may, based upon calculations of future cash flow forecasts, require the provision of collateral securing the specific asset. The Methodology include criteria for determining the value of such collateral, based upon the forecasts of future cash flows, interest rates and the maturity of the relevant asset. The level of provisions (reserves) are determined as the difference between the current book value of the asset and the forecast value of future cash flows.Upon calculation of the amount of provisions (reserves) in accordance with the Rules and the Methodology, the data is transferred to the accounting records and financial statements.

Loans are divided into the following categories:

- Standard loans and financial leases (which encompass loans and financial leases which are not overdue and for which there is no impairment). Such loans and leases do not require assessment (unless they are included in a group which is assessed on a group basis);
- Non-standard loans and financial leases (which encompass loans and financial leases assessed on a group basis);

- Overdue but not impaired loans and financial leases (which encompass loans and financial leases which include overdue payments, however, no impairment reserves have yet been recorded); and

- Individually impaired loans and financial leases (which encompass loans and financial leases assessed on an individual basis where there are objective signs of impairment and overdue payments).

Analysis of Loans to Customers by Credit Quality

The following table sets forth information on the credit quality, based on the Group's credit rating system, of the Group's loan portfolio, before allowances for impairment, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Standard grade	133,002,220	59.2	107,516,246	61.6	103,795,540	62.8
Sub-standard grade	47,723,863	21.2	20,382,933	11.7	11,096,179	6.7
Past due but not impaired loans	9,018,454	4.0	20,476,943	11.7	21,899,343	13.2
Individually impaired	35,000,663	15.6	26,227,423	15.0	28,691,339	17.3
Total gross loans to customers	**224,745,200**	**100**	**174,603,545**	**100.0**	**165,482,401**	**100.0**

As at 31 December 2013, standard loans, sub-standard loans, past due but not impaired loans and individually impaired loans accounted for 59.2%, 21.2%, 4.0% and 15.6% of total gross loans to customers respectively.

Loans Past Due but not Impaired

The following table sets forth the aging analysis of past due but not impaired loans as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Up to 30 days	3,254,241	36.1	1,953,908	9.6	1,818,949	8.3
Over 31 days up to 60 days	3,172,597	35.2	922,178	4.5	2,205,975	10.1
Over 61 days up to 90 days	360,058	4.0	413,910	2.0	1,461,661	6.7
Over 90 days	2,231,558	24.7	17,186,947	83.9	16,412,755	74.9
Total	**9,018,454**	**100**	**20,476,943**	**100.0**	**21,899,343**	**100.0**

As at 31 December 2013, 24.7% of loans past due but not impaired were past due but not impaired by over 90 days compared to 83.9% and 74.9% as at each of 31 December 2012 and 2011, respectively.

The decrease in the volume of loans past due but not impaired in 2013 was primarily due to an improvement in the overall credit quality of the Group's lending portfolio as a result of the positive impact of a good harvest experienced by borrowers in 2013. The higher level of loans past due by over 90 days as at 31 December 2012 compared to 31 December 2011 was primarily attributable to the deterioration in the overall credit quality of the Group's lending portfolio as a result of the adverse impact on the Group's customers of the bad harvests in 2012 and 2010, following droughts in those years, which occurred relatively close in time and thus had a magnified impact in 2012 despite the good harvest in 2011. Management believes that cyclicalities of this type are normal for entities, like the Group, which conduct business in the agricultural sector. See "*—Credit Policies and Approval Procedures*".

As at 31 December 2013, 0.9% of the Group's total gross loans outstanding to customers were classified as past due but not impaired loans overdue by more than 90 days, compared to 9.8% and 9.9% as at 31 December 2012 and 2011, respectively.

Management considers that, due to the seasonal nature of the business of the Group's customers, a loan which is overdue by over 90 days, is not necessarily the most appropriate indicator of the borrowers' ability to repay amounts due in the longer-term. In years where there is a low grain yield, borrowers may be temporarily affected and unable to meet their repayment obligations. The ability of these same borrowers to ultimately repay, however, generally recovers with the sector. Factors adversely affecting the agricultural sector in Kazakhstan, such as the droughts in 2010 and

2012, which resulted in harvests in those years with low grain yields and, in turn, adversely affected the ability of some of the Group's customers to meet payment obligations under loans and finance leases extended by the Group, may be more determinative of customer performance.

Loan Provisioning and Write-Off Policies

Loan provisioning is conducted in accordance with NBK requirements, IFRS rules and applicable Kazakhstan laws and regulations relating to accounting and financing reporting.

The main considerations for loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of its counterparties, credit rating downgrades, or any infringement of the original terms of the contract.

Pursuant to IFRS rules, the portfolios are divided into credits assessed on an individual basis and credits assessed on a cumulative basis. The amount of provisions on classified assets is calculated by discounting the principal amount by the value of highly liquid collateral. The list of highly liquid collateral is established by rules promulgated by the FMSC. The amount of provisions is reviewed on a monthly basis.

Individually Assessed Allowances

Allowances appropriate for each individually significant credit are determined on an individual basis. Items considered when determining allowance amounts include: the sustainability of the counterparty's business plan, its ability to improve its performance once a financial difficulty has arisen, projected receipts and the expected dividend payout in the event that bankruptcy ensues, the availability of other financial support and the realisable value of collateral, as well as the timing of the expected cash flows. Impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on credits to customers that are not individually significant and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management at the relevant subsidiary is responsible for deciding the length of this period, which may be extended for as long as one year. The impairment allowance is then reviewed by the Group's credit management to ensure alignment with the Group's overall policy.

Write-offs

The Group has a policy of being flexible with its borrowers when factors beyond their control adversely affect their ability to repay their loans and finance leases; this may involve negotiating a restructuring of obligations or the rescheduling of payments, rather than pursuing foreclosure or other enforcement remedies at law, which would lead to a write-off.

The Group writes-off loans with the approval of the Board of Directors and, in certain cases, with the respective decision of the court. See Note 41 to the Consolidated Financial Statements.

Analysis of Movements in Allowance for Impairment of Loans

The following table sets forth an analysis of movements in the allowance for impairment of loans as at the dates indicated:

	For the year ended 31 December			Percentage change	
	2013	2012	2011	2013/2012	2012/2011
		(KZT thousands)		*(%)*	
As at 1 January	22,903,263	16,200,816	14,361,000	41.4	12.8
Charge for the year	4,179,758	8,266,006	1,690,074	(49.4)	389.1
Recoveries	—	—	554,336	-	(100.0)
Amounts written off	(1,664,053)	(1,563,559)	(404,594)	6.4	286.5
As at 31 December	**25,418,968**	**22,903,263**	**16,200,816**	**11.0**	**41.4**

The decrease in the level of additional loan impairment charges in 2013 is due to the adoption of a less conservative impairment methodology in line with international standards taking into account the recommendations by the National Bank of Kazakhstan. See "*Selected Statistical and Other Data - Credit Classification Policies*". The additional loan impairment charges in 2012 comprised principally allowances for impairment of loans overdue from a leading vertically-integrated grain company in Kazakhstan, which is one of the Group's largest borrowers, as well as additional impairment charges in respect of amounts due from a large group of agricultural companies engaged in producing and processing of various crops following further actions in the bankruptcy cases relating to the borrowers. The remaining portion of the additional impairment charges reflected overall growth and in the size of the loan portfolio.

Write-offs in 2012 primarily comprised fines and penalties relating to amounts overdue, which were capitalised and fully provided for in prior periods and written off in 2012 following a formal determination by the Board of Directors that there was a low probability of recovery.

Interest income accrued on loans to customers, for which individual impairment allowances have been recognised, for the year ended 31 December 2013, comprised KZT 3,144,837 thousand compared to KZT 2,283,947 thousand and KZT 2,547,863 thousand for the year ended 31 December 2012 and 31 December 2011, respectively.

Policies Relating to Collateral

The Group's general policy requires that collateral is provided for all loans granted and that, as of the date on which a loan is granted, the value of a certain type of collateral securing that loan must be equal to at least 100% for loans granted by ACC and 120% for loans granted by other Group companies of the amount of the loan. Collateral in excess of a certain threshold provided to the Group is generally evaluated by an independent appraiser annually.

The main types of collateral accepted by the Group include charges over real estate properties, agricultural equipment, inventories and third-party bank and corporate guarantees.

Each subsidiary engaged in lending and leasing activities monitors the availability and market value of collateral on credits extended by it on a semi-annual basis and may request additional collateral in accordance with the terms of the relevant credit agreement.

Loans by Collateral Type and Coverage Ratios

The following table sets forth an analysis of the Group's gross and net total loans to customer by type of collateral for the periods indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Real estate[(1)]	96,594,808	43	57,895,228	33.2	65,630,675	39.7
Land plots[(2)]	14,693,028	6.5	13,209,224	7.6	11,027,473	6.7
Movable property	30,348,652	13.5	49,450,669	28.3	45,126,008	27.3
Animals	9,031,059	4.0	4,070,844	2.3	3,655,410	2.2
Warranties	50,641,282	22.5	30,990,829	17.7	14,023,782	8.5
Grain	13,786,605	6.1	11,283,866	6.5	8,770,413	5.3
Without collateral[(3)]	9,649,766	4.3	7,702,885	4.4	17,248,640	10.4
Total gross loans to customers	**224,745,200**	**100.0**	**174,603,545**	**100.0**	**165,482,401**	**100.0**

Notes:

(1) Buildings and structures.

(2) Vacant or undeveloped land.

(3) Represents principally historical loans still outstanding at the relevant date and loans exempted from collateral requirements.

The following table sets forth information with respect to the calculation of the Group's collateral coverage ratios as at the dates indicated:

	As at 31 December		
	2013	2012	2011
		(KZT thousands, except %)	
Total gross loans to customers	224,745,200	174,603,545	165,482,401
Allowance for impairment	25,418,968	22,903,263	16,200,816
Net total loans to customers	199,326,232	151,700,282	149,281,585
Total collateral	319,887,156	334,892,375	298,968,157
Total coverage ratio (%)[(1)]	142.3	191.80	180.66
Net coverage ratio (%)[(2)]	160.5	220.76	200.27

Notes:

(1) Calculated by dividing total collateral by total gross loans to customers.

(2) Calculated by dividing total collateral by total net loans to customers.

The Group's total coverage ratio (total collateral divided by total gross loans) was 142.33% compared to 191.80% and 180.66% as at 31 December 2012 and 2011, respectively, in each case, well above the Group's targeted loan to value ratio of 120%.

The Group's coverage ratio policy is designed to ensure that all loans, regardless of their credit classification, are fully covered by collateral, other than amounts due to FCC under forward purchase agreements with farmers covering grain due to be delivered at the harvest later in the same year, which are treated by the Group as being unsecured, although the grain to be delivered at the time of the future harvest may be considered as collateral for the amounts due.

The Group holds assets acquired by foreclosure as assets held for sale and attempts to liquidate such assets in line with market opportunities. During the year ended 31 December 2013, the Group acquired assets by foreclosure on collateral accepted as security for loans with a value of KZT 1,966,708 thousand. During the year ended 31 December 2012 the Group did not acquire any such assets. During the year ended 31 December 2011, the Group acquired assets by foreclosure on collateral accepted as security for loans with a value of KZT 899,823 thousand.

Finance Lease Receivables

The Group conducts all of its finance lease operations through KazAgroFinance and the Fund.

As at 31 December 2013, the Group's finance lease receivables increased by KZT 30,573,758 thousand, or 32.8%, to KZT 123,790,528 thousand from KZT 93,216,770 thousand as at 31 December 2012, having increased by KZT 22,650,397 thousand, or 32.1%, to KZT 93,216,770 thousand from KZT 70,566,373 thousand as at 31 December 2011.

These year-on-year increases principally reflected organic growth at KazAgroFinance, the Group's principal leasing subsidiary, which was, in turn, generated by higher levels of available funding from the National Fund and the State Budget for the origination of medium to long-term leases at subsidised rates to meet increased levels of demand in the market. The longer-term nature of the leasing portfolio, in line with newly adopted policies, also contributed to continued growth as the leases naturally amortise more slowly over their extended lives.

Finance Lease Receivables by Type of Customer

The following table sets forth an analysis of the Group's finance lease receivables, after allowances for impairment, by type of customer, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Legal entities	94,914,551	76.55%	71,726,297	77.0	56,811,014	80.5
Individuals	29,070,856	23.45%	21,490,473	23.0	13,755,359	19.5
Total net finance lease receivables	**123,790,528**	**100.0**	**93,216,770**	**100.0**	**70,566,373**	**100.0**

As at 31 December 2013, finance lease receivables extended to legal entities represented 76.6% of total net finance lease receivables compared to 77.0% and 80.5% as at 31 December 2012 and 2011, respectively. As at 31 December 2013, finance lease receivables extended to individuals represented 23.4% of total net finance lease receivables compared to 23.0% and 19.5% as at 31 December 2012 and 2011, respectively.

Concentration of Finance Lease Receivables

As at 31 December 2013, the Group had a concentration of finance lease receivables represented by KZT 22,589,927 thousand, or 17.0% of total finance lease receivables, from the ten largest independent parties, compared to KZT 19,862,620 thousand, or 19.8% of total finance lease receivables, and KZT 15,435,582 thousand, or 20.5% of total finance lease receivables, as at 31 December 2012 and 2011, respectively.

Finance Lease Receivables by Economic Sector and Geographical Area

As at each of 31 December 2013, 2012 and 2011, 100.0% of total finance lease receivables were issued to customers operating in the agricultural industry in Kazakhstan.

Maturity Analysis of Finance Lease Receivables

The following table sets forth an analysis of the Group's finance lease receivables, after allowances for impairment, by maturity, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Up to one year	27,787,922	22.4	20,890,520	22.4	16,389,187	23.2
Over one year up to five years	66,303,492	53.6	51,520,056	55.3	42,191,926	59.8
Over five years	29,699,114	24.0	20,806,194	22.3	11,985,260	17.0
Total net finance lease receivables	**123,790,528**	**100.0**	**93,216,770**	**100.0**	**70,566,373**	**100.0**

As at 31 December 2013, 76.0% of finance lease receivables were due within five years compared to 77.7% of net finance lease receivables as at 31 December 2012 and 83.0% as at 31 December 2011, while 24.0% of net finance lease receivables had maturities of more than five years as at 31 December 2013 compared to 22.3% and 17.0% as at 31 December 2012 and 2011, respectively.

The lengthening maturity profile of the finance lease portfolio reflects policies adopted in 2009 to permit the extension of longer-term leases to finance investment projects.

Finance Lease Receivables by Size

The following table sets forth a breakdown of the Group's finance lease receivables, before allowances for impairment, by size, as at the dates indicated:

	As at 31 December								
	2013			2012			2011		
	Principal Amount		No.of Customers	Principal Amount		No.of Customers	Principal Amount		No.of Customers
	(KZT thousands	*(%)*		*(KZT thousands*	*(%)*		*(KZT thousands*	*(%)*	
Up to KZT 1 million	75,762	0.1	262	899,139	0.9	1,358	703,525	0.9	1,312
Over 1 million up to 10 million	7,545,094	5.7	2,076	18,282,726	18.2	3,514	13,890,757	18.5	2,683
Over KZT 10 million up to 50 million	23,572,065	17.7	988	31,308,485	31.1	1,386	26,608,822	31.4	1,110
Over KZT 50 million up to 150 million	25,699,387	19.3	309	18,616,932	18.5	216	14,369,447	19.1	166
Over KZT 150 million up to 300 million	18,862,076	14.2	89	9,586,147	9.5	45	7,635,809	10.2	36
Over KZT 300 million up to 500 million	13,300,027	10.0	37	6,080,848	6.0	16	3,045,811	4.1	8
Over KZT 500 million	43,979,040	33.1	39	15,817,116	15.7	13	11,933,923	15.9	11
Total	**133,033,451**	**100.0**	**3,800**	**100,591,393**	**100.0**	**6,548**	**75,188,095**	**100.0**	**5,326**

Medium-sized leases of between KZT 10 – 150 million generally comprise the majority of the Group's leases, reflecting the cost of the underlying equipment, combined with the tax benefits available to corporate lessees.

Leasing Policies

The Group, largely through KazAgroFinance, generally applies the same credit guidelines and classification, monitoring and impairment policies as are applied in the Group's lending activities. See "—*Loans Policies and Credit Approval Procedures*".

Analysis of Finance Lease Receivables by Credit Quality

The following table sets forth information on the credit quality of the Group's net investment in finance leases, before allowances for impairment, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Standard	27,685,512	20.8	20,241,076	20.1	11,926,467	15.9
Sub-standard	65,966,609	49.6	48,154,249	47.9	40,982,051	54.5
Past due but not impaired	5,131,988	3.9	5,549,914	5.5	2,319,321	3.1
Individually impaired	34,249,342	25.8	26,646,154	26.5	19,960,256	26.5
Total gross finance lease receivables	**133,033,451**	**100.0**	**100,591,393**	**100.0**	**75,188,095**	**100.0**

The overall credit quality of the finance lease portfolio has been relatively stable over the past three years, with standard and sub-standard finance lease receivables comprising 70.4%, 68.0% and 70.4% of total finance lease receivables as at 31 December 2013, 2012 and 2011, respectively, and individually impaired finance lease receivables comprising 25.8% of total finance lease receivables as at 31 December 2013, and 26.5% as at 31 December 2012 and 2011, respectively. Past due but not impaired finance leases and individually impaired finance leases accounted for 29.7%, 32.0% and 29.6% of total finance leases as at 31 December 2013, 2012 and 2011, respectively.

Finance Lease Receivables Past Due but not Impaired

The following table sets forth the aging analysis of finance lease receivables past due but not impaired as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Up to 30 days	335,248	6.5	713,042	12.9	351,518	15.2
Over 31 days up to 60 days	803,836	15.7	1,388,225	25.0	250,620	10.8
Over 61 days up to 90 days	857,209	16.7	905,667	16.3	463,896	20.0
Over 90 days	3,135,695	61.1	2,542,980	45.8	1,253,287	54.0
Total	**5,131,988**	**100.0**	**5,549,914**	**100.0**	**2,319,321**	**100.0**

As at 31 December 2013, 2.4% of the Group's total gross finance leases were classified as past due but not impaired finance leases overdue by over 90 days compared to 2.5% and 1.7% as at each of 31 December 2012 and 2011, respectively. As at 31 December 2013, 61.1% of finance leases past due but not impaired were past due by over 90 days compared to 45.8% and 54.0% as at each of 31 December 2012 and 2011, respectively.

Management considers that, due to the seasonal nature of the business of the Group's customers, finance leases, which are overdue by over 90 days, are not necessarily the most appropriate indicator of the lessees' ultimate ability to repay amounts due in the longer-term. Factors adversely affecting the agricultural sector in Kazakhstan, such as the droughts in 2010 and 2012, which resulted in harvests in those years with low grain yields and, in turn, adversely affected the ability of some of the Group's customers to meet payment obligations under finance leases extended by the Group, may be more determinative of customer performance. Bad harvests in future years may further increase the amount of the Group's past due but not impaired finance leases.

Investment Securities Available-For-Sale

The table below sets forth the composition of investment securities available-for-sale as at the dates indicated:

	As at 31 December		
	2013	2012	2011
		(*KZT thousands*)	
Kazaktelecom JSC shares	374,372	295,801	818,978
Delta Bank JSC shares	14,031	14,030	14,030
BTA Bank JSC Shares	2	3	—
Corporation APK-Invest LLP bonds	-	—	—
Net investment securities available-for-sale	**388,405**	**309,834**	**833,008**

As at 31 December 2013, the Group's net investment securities available-for-sale increased by KZT 78,571 thousand, or 25.4%, to KZT 388,405 thousand, having decreased by KZT 523,174 thousand, or 62.8%, to KZT 309,834 thousand as at 31 December 2012 from KZT 833,008 thousand as at 31 December 2011.

The increase as at 31 December 2013 compared to 31 December 2012 was principally attributable to the growth in the market price and corresponding total value of shares of Kazakhtelecom JSC held by the Group in its portfolio. Kazakhtelecom JSC's shares were trading at KZT 13,413.8 per share as at 31 December 2013 and KZT 10,195.1 per share as at 31 December 2012. The decrease as at 31 December 2012 compared to 31 December 2011 was principally attributable to the reduction in the market price and corresponding total value of shares of Kazakhtelecom JSC held by the Group in its securities portfolio, as well as the sale of a portion of such shares to capture profits when the price was higher.

Investments in Associates

As at each of 31 December 2013, 2012 and 2011, the Group's investments in associates comprised the Group's share in micro-credit organisations. The Group's percentage ownership in microcredit organisation varied from 35% to 49% as at each of 31 December 2013, 2012 and 2011.

See "*Business—Principal Business Activities— the Fund*".

In 2013, the Group received dividends on ordinary shares it held in Kazakhtelecom JSC of KZT 53,925 thousand compared to KZT 532,003 thousand in 2012 and KZT 31,142 thousand in 2011.

The higher amount of dividends received in 2012 reflected a special dividend paid by Kazakhtelecom on its share in that year.

Accounts Receivable

The table below sets forth the composition of the Group's accounts receivable as at the dates indicated:

	As at 31 December		
	2013	**2012**	**2011**
		(KZT thousands)	
Trade accounts receivable	63,859,698	77,261,301	54,359,589
Other accounts receivable	9,178,525	4,852,422	4,832,657
	73,038,223	82,113,723	59,192,246
Less: Allowance for impairment	(6,879,529)	(6,885,816)	(6,284,307)
Accounts receivable, net	**66,158,694**	**75,227,907**	**52,907,939**

Trade accounts receivable represent mainly receivables for the sale of grain with contractual maturity dates ranging from thirty days to more than one year from the reporting date.

As at 31 December 2013, the Group's net accounts receivable decreased by KZT 9,069,213 thousand or 12.1%, to KZT 66,158,694 thousand from KZT 75,227,907 thousand as at 31 December 2012, having increased by KZT 22,319,968 thousand, or 42.2%, to KZT 75,227,907 thousand from KZT 52,907,939 thousand as at 31 December 2011.

The decrease in net accounts receivable was primarily due to the repayment of debt by FCC's clients, who used such trade receivables as grain purchase with deferred payments, inventories and seed loans. The increase from 2011 to 2012 principally reflected increases in the Company's grain trading operations.

Commitments and Contingencies

The Group's credit related commitments and contingencies comprise undrawn credit lines and guaranteed cotton and grain receipts. See "*Business—Principal Business Activities—Other Subsidiaries*".

The table below sets forth an analysis of the Group's commitments and contingencies as at the dates indicated:

	As at 31 December		
	2013	**2012**	**2011**
		(KZT thousands)	
Undrawn credit lines	48,136,443	41,482,633	26,707,009
Guaranteed grain and cotton receipts	693,792	195,000	7,861,508
Credit related commitments	**48,830,235**	**41,677,633**	**34,568,517**

As at 31 December 2013, commitments and contingencies increased by KZT 7,152,602 thousand, or 17.2%, to KZT 48,830,235 thousand, compared to commitments and contingencies as at 31 December 2012, having increased by KZT 7,109,116 thousand, or 20.6%, to KZT 41,677,633 thousand from KZT 34,568,517 thousand as at 31 December 2011.

The increase as at 31 December 2013 compared to 31 December 2012 was principally attributable to undrawn credit lines.

The increase as at 31 December 2012 compared to 31 December 2011 was principally attributable to the higher level of undrawn credit lines made available by the Group to its customers in respect of investment projects, which are not yet fully funded, and facilities made available to credit-financed partnerships ("**CFPs**") and micro-credit organisations, which are drawn down over time, partially offset by a decrease in the amount of guarantees issued by KazAgroGarant for grain receipts as a result of the continued lower level of market demand for such instruments due to the availability of replacement insurance coverage on less onerous terms.

Derivatives

The following table sets forth the fair values of trading derivative financial instruments, recorded as assets or liabilities, together with their notional amounts as at the dates indicated:

	As at 31 December								
	2013			2012			2011		
	(KZT thousands)			*(KZT thousands)*			*(KZT thousands)*		
	Notional amount	**Asset**	**Liability**	**Notional amount**	**Asset**	**Liability**	**Notional amount**	**Asset**	**Liability**
Options in U.S.$	15,057,597	3,110,806	—	6,287,155	1,446,371	—	8,738,791	1,847,675	—
Options in Euro	3,251,374	902,888	—	20,548,152	4,021,181	—	24,288,561	5,057,801	—
Total	**18,308,971**	**4,013,694**	**—**	**26,835,307**	**5,467,552**	**—**	**33,027,352**	**6,905,476**	**—**

As at each of 31 December 2013, 2012 and 2011, the Group had certain loans to customers and finance lease receivables that are foreign currency linked debt instruments with a floor feature. Under these instruments, interest and principal payments are linked to foreign currencies, in such a way, that the Group has an option to demand higher payments if the foreign currency specified in the contract appreciates above a certain floor (the floor usually being set at the level of spot rates prevailing on the loan issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level. The Group records this feature as an embedded derivative that is separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the consolidated financial statements.

The year-on-year decreases in the fair value of trading derivative financial instruments principally reflected the continuing reduction in the origination of foreign currency-indexed loans and leases following the depreciation of the Tenge in 2009 and the related lower level of demand in the market for these perceived riskier instruments.

Principal Sources of Funding

The Group's principal sources of funding, in addition to its share capital, are amounts due to the Government, amounts due to credit institutions and debt securities issued.

Amounts Due to the Government

The Group, from time to time, borrows funds from the Government (including at the levels of the State and local authorities) for the purpose of on-lending funds, in line with its mandate for the development of the agricultural sector in Kazakhstan.

The Company uses proceeds from Government loans to on-lend to its subsidiaries, which, in turn, use such proceeds to promote the stability and development of the agricultural sector in Kazakhstan. As at 31 December 2013, Government loans consisted of long-term loans granted at concessional rates of interest ranging from 0.01% to 3%.

Amounts Due to the Government by Type

The following table sets forth certain information with respect to amounts due to the Government as at the dates indicated:

	Maturity	**Annual interest rate**	**As at 31 December**		
			2013	**2012**	**2011**
		(%)		*(KZT thousands)*	
Ministry of Agriculture	2014	0.00	4,946,942	6,482,596	—
Local government executive bodies	2014-2018	0.00-3.00	10,821,329	1,037,484	1,450,871
Administration of business activities and industry in the Almaty region	2014	1.00	55,267	71,375	86,044
Administration of business activities and industry in the Zhambyl region	2015	0.10	31,601	40,613	48,808
Ministry of Agriculture	2012	6.50	—	—	11,826,603
Ministry of Finance of the Republic of Kazakhstan	2012	0.01	—	—	17,105,010
Amounts due to the Government of the Republic of Kazakhstan			**15,885,139**	**7,632,068**	**30,517,336**

Amounts due to the Government increased by KZT 8,253,071 thousand or 108.1%, to KZT 15,885,139 thousand from KZT 7,632,068 thousand as at 31 December 2012, having decreased by KZT 22,885,268 thousand, or 75.0%, to KZT 7,632,068 thousand as at 31 December 2012 from KZT 30,517,336 thousand as at 31 December 2011.

The increase in amounts due to the Government in 2013 compared to 2012 primarily reflected an increase financing from local authorities to the Fund due to the participation of the Fund in providing microcredit financing in accordance with the Employment Programme 2020. The decrease in amounts due to the Government in 2012 compared to 2011 primarily reflected repayments at scheduled maturity of loans from local Government bodies, the Ministry of Agriculture and the Ministry of Finance of Kazakhstan in 2012, which were partially offset by the entry into of new loans with the Ministry of Agriculture.

Amounts Due to the Government by Maturity

The following table sets forth an analysis of amounts due to the Government, by maturity, for the periods indicated:

	As at 31 December					
	2013		**2012**		**2011**	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Up to 3 months	151,963	1.0	172,930	2.3	125,080	0.4
From 3 months up to 12 months	5,368,808	33.9	6,736,679	88.3	13,152,406	43.1
From 1 year up to 5 years	583,050	3.7	722,458	9.5	17,219,077	56.4
Over 5 years	9,751,318	61.5	—	—	20,802	0.1
Total	**15,855,139**	**100.0**	**7,632,068**	**100.0**	**30,517,366**	**100.0**

As at 31 December 2013, 33.9% of amounts due to the Government had from three months to one year remaining until contractual maturity compared to 88.3% and 43.1% as at 31 December 2012 and 2011, respectively. The increase as at 31 December 2012 compared to 31 December 2011 was principally attributable to the entry into a new loan with the Ministry of Agriculture. The increase as at 31 December 2011 compared to 31 December 2010 was principally attributable to the entry into a new loan with the Ministry of Finance.

As at 31 December 2013, 3.7% of amounts due to the Government had between one and five years until contractual maturity compared to 9.5% and 56.4% as at 31 December 2012 and 2011, respectively. The year-on-year decreases are principally attributable to repayments at scheduled maturity.

Principal loans from the Government

FCC

As at the date of this Base Prospectus, the principal loan provided by the Government to FCC is as follows:

- In March 2013, FCC entered into a loan agreement with the Company, which, in turn, provided a loan to FCC for up to KZT 19,350,000 thousand from the State Budget. The proceeds of this loan were used for the implementation of measures to create, expand and modernise agricultural production in line with FCC's lending policy. This loan bears interest at a concessional rate of 0.50% per annum and an initial maturity on 10 December 2013. This loan was refinanced by FCC on 10 December 2013.

- In April 2013, FCC entered into a loan agreement with the Ministry of Agriculture for a total principal amount of KZT 13,750,000 thousand (the principal amount of which was later reduced to KZT 5,281,093 thousand). The proceeds of this loan were used for interest-free financing for the purchase of grain for State resources. This loan does not bear interest and matures on 20 December 2014. The principal amount will be paid in full on maturity. As at 31 December 2013, the outstanding principal amount under this loan was KZT 5,281,093 thousand.

KazAgroFinance

As at the date of this Base Prospectus, the principal loan provided by the Government to KazAgroFinance is as follows:

- In May 2009, KazAgroFinance entered into a framework loan agreement with the Company, which, in turn, provided a loan to KazAgroFinance for up to KZT 57,218,000 thousand from the National Fund (the principal amount of which was later increased up to KZT 94,000,000 thousand). The proceeds of this loan were used for the implementation of measures to create, expand and modernise agricultural production in line with KazAgroFinance's lending policy. This loan bears interest at a concessional rate of 1.02% per annum and matures on 30 December 2023. As at 31 December 2013, the outstanding principal amount under this loan was KZT 58,922,147 thousand.

ACC

As at the date of this Base Prospectus, the principal loan provided by the Government to ACC is as follows:

- In May 2009, ACC entered into a framework loan agreement with the Company, which, in turn, provided a loan to ACC for up to KZT 43,484,000 thousand from the National Fund (the principal amount of which was later reduced to KZT 26,000,000 thousand). The proceeds of this loan were used for the implementation of measures to create, expand and modernise agricultural production in line with ACC's lending policy. This loan bears interest at a concessional rate of 1.02% per annum and matures on 30 December 2023. As at 31 December 2013, the outstanding principal amount under this loan was KZT 15,123,751 thousand.

- In January 2014, ACC entered into a framework loan agreement with the Company, which, in turn, will provide a loan to ACC for up to KZT 15,000,000 thousand from the National Fund. The proceeds of this loan will be used for the implementation of measures to create, expand and modernise agricultural production in line with ACC's lending policy. This loan bears interest at a concessional rate of 1.02% per annum and matures on 31 December 2014.

Amounts Due to Credit Institutions

The table below sets forth certain information in respect of the composition of the Group's loans from credit institutions, by type of lender, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Loans with fixed interest rates						
Loans from OECD banks	12,780,470	20.0	9,211,546	11.3	21,560,716	31.8
Loans from non-OECD banks	36,097,858	56.0	56,886,051	69.7	30,592,163	45.1
Total loans with fixed interest rates	**48,878,328**	**75.7**	**66,097,597**	**81.0**	**52,152,879**	**76.9**
Loans with floating interest rates						
Loans from OECD banks	4,438,932	6.9	11,720,838	14.4	12,789,826	18.9
Loans from non-OECD banks and other financial institutions	11,520,750	17.8	3,784,888	4.6	2,862,290	4.2
Syndicated loan facility	—	—	—	—	—	—
Total loans with floating interest rates	**15,959,682**	**24.7**	**15,505,726**	**19.0**	**15,652,116**	**23.1**
Less unamortised portion of borrowing costs	(260,877)		(505,755)		(4,809,734)	
Amounts due to credit institutions	**64,577,132**	**100**	**81,097,568**	**100**	**62,995,261**	**100**

As at 31 December 2013, amounts due to credit institutions decreased by KZT 16,520,436 thousand, or 20.4% to KZT 64,577,132 thousand, from KZT 81,097,568 thousand as at 31 December 2012 having increased by KZT 18,102,307 thousand, or 28.7%, from KZT 62,995,261 thousand as at 31 December 2011. The decrease in amounts for to credit institutions from 2012 to 2013 was primarily attributable to the repayment of loans with the proceeds from the Eurobond Offering. The increase in amounts due to credit institutions from 2011 to 2012 was primarily attributable to increases in the balances of loans from non-OECD banks due to a policy of the Group to diversify its funding profile.

Amounts Due to Credit Institutions by Currency

The table below sets forth certain information in respect of the composition of the Group's loans from credit institutions, by currency, as at the dates indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Loans denominated in Tenge						
Loans due to Kazakh banks	11,630,408	18.0	39,729,369	49.0	11,972,025	19.0
Loans due to foreign banks	13,769,058	21.3	14,770,709	18.2	3,613,138	5.7
Total loans denominated in Tenge	**25,399,466**	**39.3**	**54,500,078**	**67.2**	**15,585,163**	**24.7**
Loans denominated in U.S.$						
Loans due to Kazakh banks	2,611,370	4.0	6,170,861	7.6	5,985,115	9.5
Loans due to foreign banks	34,413,793	53.3	18,211,055	22.5	35,446,928	56.3
Total loans denominated in U.S.$	**37,025,163**	**57.3**	**24,381,916**	**30.1**	**41,432,043**	**65.8**
Loans denominated in Euros						
Loans due to Kazakh banks	—	—	—	—	2,862,290	4.5
Loans due to foreign banks	2,152,503	3.3	2,215,574	2.7	3,115,765	4.9
Total loans denominated in Euros	2,152,503	3.3	2,215,574	2.7	5,978,055	9.5
Amounts due to credit institutions	**64,577,132**	**100.0**	**81,097,568**	**100.0**	**62,995,261**	**100.0**

As at 31 December 2013, 39.3% of amounts due to credit institutions were denominated in Tenge compared to 67.2% and 24.7% as at 31 December 2012 and 2011, respectively, while 60.7% of amounts due to credit institutions were denominated in foreign currencies (U.S.$ and Euros) compared to 32.8% and 75.3% as at 31 December 2012 and 2011, respectively. The increase in amounts due to credit institutions denominated in U.S.$ in 2013 was primarily attributable to short term financings for working capital.

Amounts Due to Credit Institutions by Maturity

The following table sets forth an analysis of amounts due to credit institutions, by maturity based on contractual undiscounted repayment obligations, for the periods indicated:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	*(%)*	*(KZT thousands)*	*(%)*	*(KZT thousands)*	*(%)*
Up to three months	9,528,628	8.6	4,154,331	5.1	6,688,058	9.9
Over three months up to one year	83,878,950	75.4	66,665,146	81.6	44,773,446	66.0
Over one year up to five years	16,976,250	15.3	6,676,194	8.2	12,175,610	18.0
Over than five years	900,863	0.8	4,152,652	5.1	4,167,881	6.1
Total	**111,284,691**	**100.0**	**81,648,323**	**100.0**	**67,804,995**	**100.0**

As at 31 December 2013, 0.8% of amounts due to credit institutions had over five years remaining until contractual maturity, as compared to 5.1% and 6.1% as at 31 December 2012 and 2011, respectively, reflecting the use by the Group of short-term loans to finance its working capital.

See Note 43 to the Consolidated Financial Statements.

Principal Loans from Credit Institutions

The Company

As at the date of this Base Prospectus, the principal loans provided by credit institutions to the Company are as follows:

- In December 2013, the Company entered into a loan agreement with the Royal Bank of Scotland plc for a total principal amount of up to U.S.$ 100,000 thousand. The proceeds of loans drawn down under this facility agreement are used to finance working capital. This loan bears interest at a rate of 2.4% per annum and matures on 27 January 2015. As at 31 December 2013, the outstanding principal amount under this loan was KZT 15,369,000 thousand.

- In February 2014, the Company entered into a loan agreement with HSBC Bank plc for a total principal amount of up to U.S.$ 100,000 thousand. The proceeds of loans drawn down under this facility agreement are used to finance working capital. This loan bears interest at a rate of 2.2% per annum and matures on 28 March 2015.

FCC

As at the date of this Base Prospectus, the principal loans provided by credit institutions to FCC are as follows:

- In June 2013, FCC entered into a framework loan agreement with the Company for a total principal amount of up to KZT 43,750,000 thousand. The proceeds of loans drawn down under this loan agreement are used to finance working capital. Loans drawn down under this facility agreement bear interest at a fixed rate 5.8% per annum and mature on dates on or before 19 June 2014. As at 31 December 2013, the outstanding principal amount under this loan was KZT 41,750,000 thousand.

- In December 2011, FCC entered into a facility agreement with SB Sberbank JSC for a total principal amount of up to U.S.$ 85,000 thousand, the principal amount of which was later redenominated and increased to KZT 15,000,000 thousand. The proceeds of loans drawn down under this facility agreement are used to finance working capital. Loans drawn down under this facility agreement may bear interest at fixed rates ranging between 6.0% and 6.5% per annum, mature on dates on or before 20 December 2015 and shall be secured by future proceeds from commercial contracts and a pledge over grain.

- In December 2013, FCC drew down a loan under this facility agreement in a principal amount of KZT 7,000,000 thousand, which bears interest at a fixed rate of 6.5% per annum and matures in June 2014.

- In March 2014, FCC drew down a loan under this facility agreement in a principal amount of KZT 8,000,000 thousand, which bears interest at a fixed rate of 6.5% per annum and matures in September 2014.

- In December 2008, FCC entered into a general short term credit agreement with Citibank Kazakhstan JSC for a total principal amount of up to U.S.$ 15,000 thousand (the principal amount of which was later increased to U.S.$25,000 thousand). The proceeds of loans drawn down under this facility agreement are used to purchase grain.

    - In April 2013, FCC drew down a loan under this general short term credit agreement in a principal amount of U.S.$25,000 thousand (the principal amount of which was later reduced to U.S.$ 13,000 thousand), which bears interest at a rate of 12 month LIBOR plus 4% per annum and matures on 17 April 2014.

- In November 2013, FCC entered into a general facility agreement with Citibank Kazakhstan JSC for a total principal amount of up to U.S.$50,000 thousand. The proceeds of loans drawn down under this facility agreement are used for trade financing. In December 2013, FCC drew down two loans under this general facility agreement as follows:

    - In December 2013, FCC drew down a further loan under this general facility agreement in a principal amount of U.S.$ 17,000 thousand, which bears interest at a rate of 1 month LIBOR plus 3% per annum and matures on 5 December 2014.

    - In December 2013, FCC drew down a further loan under this general facility agreement in a principal amount of U.S.$ 33,000 thousand, which bears interest at a rate of 1 month LIBOR plus 3% per annum and matures on 22 December 2014.

<u>KazAgroFinance</u>

As at the date of this Base Prospectus, the principal loans provided by credit institutions to KazAgroFinance are as follows:

- In June 2013, KazAgroFinance entered into a framework loan agreement with the Company for a total principal amount of up to KZT 30,363,131 thousand. The proceeds of loans drawn down under this loan agreement are used to finance working capital. Loans drawn down under this facility agreement bears interest at a fixed rate 5.8% per annum and mature on dates on or before 24 June 2020. As at 31 December 2013, the outstanding principal amount under this loan was KZT 30,363,131 thousand.

- In May 2005, KazAgroFinance entered into a basic agreement with Landesbank Berlin AG, pursuant to which, KazAgroFinance has entered into 12 individual loan agreements for an aggregate principal amount of €34.8 million. The proceeds of loans drawn down under these 12 individual loan agreements are used to finance contracts for the delivery of agricultural equipment and related services from Germany. The terms of the individual loan agreements range between five and seven years with interest rates of EURIBOR plus margins of 0.15% and 1.63% and LIBOR plus 0.9%. As at 31 December 2013, the total outstanding principal amount under the five individual loan agreements then outstanding was KZT 1,666,121 thousand (€7,858 million).

KazAgroFinance has entered into a number of facility agreements with members of the Deere Group, for the purpose of sourcing certain agricultural equipment, as follows:

- In February 2007, KazAgroFinance entered into a facility agreement with Deere Credit Inc for a total principal amount of U.S.$ 17 million, which was subsequently increased to a total principal amount of U.S.$ 41 million in 2008 and 2009 by way of amendments to the underlying facility agreement. Loans drawn down under this facility agreement bear interest at rates of six month LIBOR plus 0.4% and 2.5% per annum, and mature on or before 5 August 2014. As at 31 December 2013, the total outstanding principal amount under this facility agreement was KZT 451,986 thousand (U.S.$ 2.934 million).

- In July 2012, KazAgroFinance entered into a six-year facility agreement with Deere Credit Inc. for a total principal amount of U.S.$ 20 million. Loans drawn down under this facility agreement bear interest at a rate of six month LIBOR plus 2.3% per annum, mature on 15 March 2018 and shall be guaranteed by the Eurasian Development Bank. As at 31 December 2013, the total outstanding principal amount under this facility agreement was KZT 1,341,689 thousand (U.S.$ 8.709 million).

- In March 2013, KazAgroFinance entered into a five-year facility agreement with Deere Credit Inc. for a total principal amount of U.S.$ 20 million. Loans drawn down under this facility agreement bear interest at a rate of

5.9% per annum and mature on 16 April 2018. As at 31 December 2013, the total outstanding principal amount under this facility agreement was KZT 2,529,817 thousand (U.S.$ 16.421 million).

KazAgroFinance has entered into a number of facility agreements with HSBC Trinkaus&Burkhardt, as follows:

- In April 2007, KazAgroFinance entered into a facility agreement with HSBC Trinkaus&Burkhardt AG for a total principal amount of up to €10,789 thousand, (the principal amount of which was later reduced to €7.571 thousand). The proceeds of loans drawn down under this facility agreement are used to purchase combine harvesters. Loans drawn down under this facility agreement bear interest at a rate of six month EURIBOR plus 0.15% per annum and mature on 21 July 2014. As at 31 December 2013, the outstanding principal amount under this facility agreement was KZT 229,329 thousand (€1.082 million).

- In June 2007, KazAgroFinance entered into a facility agreement with HSBC Trinkaus&Burkhardt AG for a total principal amount of up to €6,168 thousand. The proceeds of loans drawn down under this facility agreement are used to finance export contracts for the purchase of equipment from Germany. Loans drawn down under this facility agreement bear interest at a rate of six month EURIBOR plus 0.15% per annum and mature on 30 May 2014. As at 31 December 2013, the outstanding principal amount under this facility agreement was KZT 93,405 thousand (€440,547).

- In March 2008, KazAgroFinance entered into a facility agreement with HSBC Trinkaus&Burkhardt AG for a total principal amount of up to €14,679 thousand. The proceeds of loans drawn down under this facility agreement are used to finance the purchase of agricultural equipment. Loans drawn down under this facility agreement bear interest at a rate of six month EURIBOR plus 0.17% per annum and mature on or before 20 July 2015. As at 31 December 2013, the outstanding principal amount under this facility agreement was KZT 309,235 thousand (€1.459 million).

- In March 2009, KazAgroFinance entered into a framework facility agreement with Société Générale for a total principal amount of up to U.S.$ 13,929 thousand, (the principal amount of which was later increased to U.S.$ 16,698 thousand). The proceeds of loans drawn down under the framework facility agreement are used to finance the purchase of equipment. Loans drawn down under this facility agreement bear interest at a rate of six month LIBOR plus 1.5% per annum and mature on 22 September 2014. As at 31 December 2013, the outstanding principal amount under this facility agreement was KZT 514,520 thousand (U.S.$ 3.340 million).

- In December 2012, KazAgroFinance entered into a facility agreement with SB Sberbank JSC for a total principal amount of up to KZT 5,000,000 thousand. The proceeds of loans drawn down under this facility agreement are used to finance working capital. Loans drawn down under this facility agreement may bear interest at fixed rates ranging between 7% and 8% per annum and mature on dates on or before 25 December 2015. As at 31 December 2013, the outstanding principal amount under this loan agreement was KZT 2,040,842 thousand. In February 2014, KazAgroFinance fully repaid a loan for a total principal amount of KZT 2,040,842 thousand.

- In March 2014, KazAgroFinance drew down a loan under this facility for a total principal amount of KZT 5,000,000 thousand, which bears interest at a fixed rate of 8% per annum and matures on 4 March 2015.

- In May 2010, KazAgroFinance entered into an instalment sale agreement with the Islamic Development Bank for an amount of up to U.S.$ 30,000 thousand (the principal amount of which was later increased to U.S. $34,601 thousand due to capitalisation). Amounts under this instalment sale agreement are used to purchase agricultural equipment, which is then leased to KazAgroFinance's customers. Amounts due to the Islamic Development Bank under this instalment sale agreement are subject to a mark-up of U.S.$ SWAP rate plus 2.5% and are due to be fully repaid on 1 September 2020. As at 31 December 2013, the amount due to the Islamic Development Bank under this instalment sale agreement was KZT 5,330,700 thousand (U.S.$34.601 million).

- In February 2013, KazAgroFinance entered into an agreement in relation to the purchase of agricultural machinery with the CNHI International S.A. for an amount of up to U.S.$5,085 thousand (the principal amount of which was later decreased to U.S.$3,207 thousand). Amounts under this agreement are used to purchase agricultural equipment, which is then leased to KazAgroFinance's customers. Amounts due to the CNHI International S.A. under this agreement are subject to an interest rate of 6% per annum and are due to mature on 25 February 2018. As at 31 December 2013, the amount due to CNHI International S.A. under this agreement was KZT 447,724 thousand (U.S. $2.887 million).

- In March 2013, KazAgroFinance entered into a facility agreement with Eurasian Development Bank for a total principal amount of up to U.S.$ 20,000 thousand. The proceeds drawn down under this facility agreement are used to finance the purchase of agricultural equipment. Loans drawn down under this facility agreement bear interest at a rate of 7.5% per annum and mature in June 2018. As at 31 December 2013, the total outstanding principal amount under this facility agreement was KZT 2,723,215 thousand.

- In May 2013, KazAgroFinance entered into a facility agreement with Russian Agricultural Bank for a total principal amount of up to U.S.$5,364 thousand. The proceeds drawn down under this facility agreement are used to finance the purchase of agricultural equipment of Rostselmash. Loans drawn down under this facility agreement bear interest at a rate of 4.9% per annum and mature on 24 May 2018. As at 31 December 2013, the total outstanding principal amount under this facility agreement was KZT 549,846 thousand (U.S.$3.569 million).

<u>ACC</u>

As at the date of this Base Prospectus, the principal loans provided by credit institutions to ACC are as follows:

- In December 2012, ACC entered into a framework loan agreement with the Company for a total principal amount of up to KZT 2,000,000 thousand. The proceeds of loans drawn down under this loan agreement are used to finance working capital. Loans drawn down under this facility agreement bear interest at a fixed rate 1.0% per annum and mature on dates on or before 10 December 2019. As at 31 December 2013, the outstanding principal amount under this loan was KZT 480,000 thousand.

- In August 2013, ACC entered into a facility agreement with BankPositive Kazakhstan JSC for a total principal amount of up to KZT 1,000,000 thousand. The proceeds of loans drawn-down under this facility agreement are used to finance working capital. Loans drawn down under this facility agreement bear interest at a fixed rate of 7.0% per annum, mature on dates on or before 19 August 2016. As at 31 December 2013, there were no amounts outstanding under this loan.

- In December 2013, ACC entered into a facility agreement with SB Sberbank JSC for a total principal amount of up to KZT 7,000,000 thousand. The proceeds of loans drawn-down under this facility agreement are used to finance working capital. Loans drawn down under this facility agreement may bear interest at fixed rates ranging between 6.75% and 8.5 per annum (and 7.75% to 9.5% per annum following the occurence of an event of default) and mature on dates on or before 13 October 2016. As at 31 December 2013, the outstanding principal amount under this loan was KZT 3,000,000 thousand.

<u>The Fund</u>

As at the date of this Base Prospectus, the principal loan provided by credit institutions to the Fund is as follows:

- In June 2011, the Fund entered into a facility agreement with the Islamic Development Bank for a total principal amount of up to ID (Islamic Dinars) 6,400,000 (approximately U.S.$10 million). The proceeds of loans drawn-down under this facility agreement are used for providing micro-loans to the rural population. Commission of approximately ID 261,130 is due under this facility agreement, which matures on 30 June 2021. This loan is guaranteed by KazAgroFinance. As at 31 December 2013, the outstanding principal amount under this facility agreement was KZT 1,066,396 thousand.

<u>Covenant Compliance</u>

As at the date of this Base Prospectus, the Group is in compliance with all covenants set out in its loan agreements with credit institutions.

Debt Securities Issued

As at 31 December 2013, debt securities issued decreased by KZT 17,161,797 thousand, or 12.8%, to KZT 117,254,491 thousand from KZT134,416,288 thousand as at 31 December 2012, after having increased by KZT14,157,819 thousand, or 11.8%, from KZT120,258,469 thousand as at 31 December 2011.

As at the date of this Base Prospectus, the principal debt securities issued by the Group are as follows:

- In February 2009, the Company issued KZT 120,000,000 thousand 6.0% bonds due 2024. These bonds were issued to the National Fund with a coupon of 0.02% in exchange for funding to the Group to support and develop the agricultural sector. As at 31 December 2013, the outstanding principal amount of these bonds was KZT 120,000,000 thousand.

- In 2010, FCC issued KZT 22,000,000 thousand 9.0% bonds due 2015. These bonds are unsecured and are listed on the Kazakhstan Stock Exchange. As at 31 December 2013, the outstanding principal amount of these bonds was KZT 22,000,000 thousand.

- In 2011and 2012, FCC issued KZT 40,000,000 thousand 7.5% bonds due 2018. These bonds are unsecured and are listed on the Kazakhstan Stock Exchange. As at 31 December 2013, the outstanding principal amount of these bonds was KZT 23,289,325 thousand.

- In June 2011, ACC issued KZT 3,000,000 thousand 8.0% bonds due 2014. These bonds are unsecured and are listed on the Kazakhstan Stock Exchange. As at 31 December 2013, the outstanding principal amount of these bonds was KZT 2,919,600 thousand.

- In December 2012, ACC issued KZT 3,000,000 thousand 7.0% bonds due 2015. These bonds are unsecured and are listed on the Kazakhstan Stock Exchange. As at 31 December 2013, the outstanding principal amount of these bonds was KZT 2,900,000 thousand.

- On 24 May 2013, the Group issued U.S.$ 1,000,000,000 4.625 % bonds due 2023 under the Programme which were listed on the Irish Stock Exchange and Kazakhstan Stock Exchange. As at 31 December 2013, the outstanding principal amount of these bonds was KZT 153,676,011 thousand. See Note 25 of the Consolidated Financial Statements.

As at each of 31 December 2013, 2012 and 2011, there were no breaches of the covenants in any of the debt securities issued by the Group.

Equity and Capital Adequacy

As at 31 December 2013, the Company had share capital of KZT 267,816,731 thousand, consisting of 267,816,731 common shares, all of which are fully paid, out of 268,122,911 common shares issued.

As at 31 December 2013, the Company's total equity increased by KZT 17,409,341 thousand, or 5.9%, to KZT 314,974,517 thousand from KZT 297,565,176 thousand as at 31 December 2012, primarily due to an increase in share capital and a reduction in deemed distribution reserves. As at 31 December 2012, the Company's total equity increased by KZT 9,544,086 thousand, or 3.3%, from KZT 288,021,090 thousand as at 31 December 2011, primarily due to an increase in share capital through the issuance of new shares to the Company's shareholder.

The capital adequacy of each of the Group's subsidiaries engaged in lending and leasing activities is monitored using, among other measures, the supervisory ratios established by the FMSC.

As at 31 December 2013, the FMSC required companies engaged in certain types of banking activities to maintain a minimum Tier 1 capital adequacy ratio (k1) of 6% of total assets and a minimum total capital adequacy ratio (k1-3) of 12% of risk-weighted assets, contingent liabilities and operational risk. As at 31 December 2013, 2012 and 2011, the respective capital adequacy ratios of the Group's subsidiaries engaged in lending and leasing activities, calculated in accordance with the FMSC requirements and Kazakhstan accountancy standards, were as follows as at the dates indicated:

FCC

	As at 31 December		
	2013	2012	2011
	(*KZT thousands, except as indicated*)		
Tier 1 capital	63,333,642	50,072,013	56,924,040
Tier 2 capital	—	—	—
Investments in associates	21,463,176	5,195	—
Total regulatory capital	**84,796,818**	**50,077,208**	**56,924,040**
Total assets	**183,465,366**	**243,607,923**	**233,897,194**
Risk-weighted assets and contingent liabilities	**56,115,782**	**123,074,713**	**134,076,257**
Operational risk	**12,345,800**	**3,842,360**	**3,346,325**
Capital adequacy ratio (k1) – not less than 6% risk	34.5	20.6	24.3
Capital adequacy ratio (k1-3) – not less than 12% risk	61.9	39.4	41.4

KazAgroFinance

	As at 31 December		
	2013	2012	2011
	(*KZT thousands, except as indicated*)		
Tier 1 capital	91,294,298	83,447,016	68,398,068
Tier 2 capital	3,005,682	605,778	—
Total regulatory capital	**94,299,980**	**84,052,794**	**68,398,068**
Total assets	**206,561,389**	**139,942,549**	**120,025,506**
Risk-weighted assets and contingent liabilities	**214,074,975**	**132,563,746**	**114,644,568**
Operational risk	**4,046,790**	**3,409,510**	**3,847,888**
Capital adequacy ratio (k1) – not less than 6% risk	44.20	59.63	57.0
Capital adequacy ratio (k1-3) – not less than 12% risk	43.23	61.82	57.7

ACC

	As at 31 December		
	2013	2012	2011
	(*KZT thousands, except as indicated*)		
Tier 1 capital	68,531,607	64,390,184	60,471,332
Tier 2 capital	437,649	461,765	169,145
Investments in associates	**(73,931)**	(89,812)	(167,666)
Total regulatory capital	**68,895,325**	**64,762,137**	**60,472,811**
Total assets	**125,768,086**	**86,557,546**	**88,045,086**
Risk-weighted assets and contingent liabilities	**123,214,515**	**84,074,380**	**87,469,936**
Commitments and contingencies	13,493,645	**13,732,072**	**8,925,249**
Operational risk	2,806,683	**1,855,808**	**1,648,621**
Capital adequacy ratio (k1) – not less than 6% risk	54.5	74.4	68.7
Capital adequacy ratio (k1-3) – not less than 12% risk	49.4	64.9	61.7

The Fund

	As at 31 December		
	2013	2012	2011
	(*KZT thousands, except as indicated*)		
Tier 1 capital	29,300,202	21,234,107	21,648,331
Tier 2 capital	421,875	—	163,299
Investments in associates	**(117,323)**	(147,337)	(208,569)
Available-for-sale investment securities	—	—	(311,360)
Total regulatory capital	**26,604,754**	**21,086,770**	**21,291,701**
Total assets	**40,410,111**	**19,524,947**	**24,366,270**
Risk-weighted assets and contingent liabilities	**35,586,663**	**19,524,947**	**14,963,960**
Operational risk	**364,967**	**294,221**	**209,173**
Capital adequacy ratio (k1) – not less than 6% risk	73.0	91.0	88.0
Capital adequacy ratio (k1-3) – not less than 12% risk	81.0	108.0	142.7

ASSET AND LIABILITY MANAGEMENT

General

The Group's operations are subject to a variety of risks, some of which are not within its control. These include liquidity risk, credit risk and market risk. The Group manages its risks through a process of ongoing identification, measurement and monitoring and through the implementation of risk limits and other controls. The independent risk control process does not include business risks, such as changes in the environment, technology and industry, which are monitored through the Group's strategic planning process.

Risk Management Structure

The Board of Directors has overall responsibility for identifying and controlling the Group's risks and approving the Group's risk strategies. In addition, the Company has established separate independent bodies responsible for managing and monitoring risks. The Company's Management Board has specific responsibility for monitoring the overall risk process within the Group.

Risk Management Department

The Risk Management Department of the Company is the centralised unit responsible for monitoring the implementation of the Group's risk management policies and the Group's compliance with risk policies and limits. The Risk Management Department is comprised of employees of the Company, who have experience and expertise in the financial sector. Senior members of the Risk Management Department are appointed by and may be dismissed by the Company's Management Board, but the Risk Management Department reports to the Board of Directors on a monthly basis. Subsidiaries also report to the Risk Management Department on a quarterly basis.

Each of the Group's principal subsidiaries which holds a banking licence (FCC, KazAgroFinance, ACC and the Fund), also has a decentralised risk management department (Subsidiary Risk Management Department), which sets and monitors compliance with the respective risk management policies, including the monitoring of risk exposures against established limits and the assessment of risks relating to new products and structured transactions, and participates in the credit approval procedures implemented by the relevant subsidiary. See "*Selected Statistical and Other Information—Credit Policies and Approval Procedures*". Each Subsidiary Risk Management Department reports to the board of directors of the relevant subsidiary.

Treasury Department

The Group's Treasury is responsible for managing the Group's assets and liabilities and the Group's overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Group. In addition, each of KazAgroFinance and ACC has a dedicated asset and liability unit within its Subsidiary Risk Management Department to assist with the management of its assets and liabilities.

Internal Audit Service

The Group's Internal Audit Service aims to provide the Board of Directors with independent, objective and unbiased information based on its audits. The Internal Audit Service annually audits the Group's risk management processes to examine their adequacy and the Group's compliance with the established risk policies, procedures and limits. The Group's Internal Audit Service discusses the results of its audits with management and reports its findings and recommendations directly to the Board of Directors. See "*Management—Internal Audi Service*".

The Group is currently developing an anti-corruption initiative whereby all internal Group audit teams are to be reviewed and certified. The initiative will encourage the Group-wide accessibility of information at any time upon request.

Risk Measurement and Reporting Systems; Risk Mitigation

The Group's risks are measured using a method, which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

The Group's monitoring and controlling of risks is primarily based on limits established by the Company's Management Board and the management board of each subsidiary. These limits reflect the relevant subsidiaries' and the Group's business strategy and their respective role within the agriculture industry and environment in which the relevant subsidiary and the Group operates, as well as the levels of risk that the subsidiary and the Group are willing to accept. The limits are reviewed on a quarterly basis or more frequently, as needed. Each subsidiary sets forth the limits established by its management board in its credit policy or risk management policy, as appropriate.

Each Subsidiary Risk Management Department prepares reports on credit exposure, credit metric forecasts, hold limit exceptions, value at risk ("**VaR**") analysis, liquidity ratios and risk profile changes and presents such reports to the board of directors of the relevant subsidiary and to the Risk Management Department of the Company. The Risk Management Department of the Company then prepares consolidated reports and provides these reports to the Company's Management Board and the Board of Directors.

As part of its overall risk management, the Group uses derivatives to manage exposures resulting from changes in foreign currencies. The Group actively uses collateral to reduce its credit risks (see below for more detail).

Credit Committees

Each of the Group's principal subsidiaries, which holds a banking licence (FCC, KazAgroFinance, ACC and the Fund) has established a credit committee to implement its credit policies (each a "**Subsidiary Credit Committee**"). Each Subsidiary Credit Committee is comprised of the members of the management board of the relevant subsidiary and the Head of the relevant Subsidiary Risk Management Department. For details of the members of the management board of the Banking Subsidiaries, see "*Management"*. Each Subsidiary Credit Committee is principally responsible for the establishment and review of the relevant subsidiary's credit approval, monitoring and control lending processes, as well as the approval or rejection of applications for loans and finance leases. See "*Selected Statistical and Other Data—Credit Policies and Approval Procedures*".

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risks by setting limits on the levels of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures to such limits. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The risk ratings assigned to each borrower are subject to regular revision. Management believes that the Group's credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action. See "*Selected Statistical and Other Data—Loan Portfolio—Analysis of Loans by Credit Quality*", "*Selected Statistical and Other Data—Credit Policies and Approval Procedures*" and Note 43 to the Consolidated Financial Statements.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, it manages the Group's assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This approach incorporates an assessment of expected cash flows and the availability of high grade collateral, which could be used to secure additional funding if required.

For further information on the Group's management of liquidity risk, see Note 43 to the Consolidated Financial Statements.

Maturities Risk

The following tables set forth a breakdown of the Group's assets and liabilities by remaining contractual maturity for the periods indicated:

	As at 31 December 2013	
	Within one year	More than one year
	(KZT thousands)	
Total assets	459,810,501	235,017,049
Total liabilities	75,301,293	304,551,740
Maturity gap	384,509,208	(69,534,691)
Cumulative gap	384,509,208	314,974,517

	As at 31 December 2012	
	Within one year	More than one year
	(KZT thousands)	
Total assets	353,446,957	194,693,320
Total liabilities	118,315,507	132,259,594
Maturity gap	235,131,450	62,433,726
Cumulative gap	235,131,450	297,565,176

	As at 31 December 2011	
	Within one year	More than one year
	(KZT thousands)	
Total assets	307,795,432	218,335,634
Total liabilities	72,354,683	165,755,293
Maturity gap	235,440,749	52,580,341
Cumulative gap	235,440,749	288,021,090

For further information on the Group's management of maturity gaps, see Note 45 to the Consolidated Financial Statements.

The Group has received significant funds from the State Budget, the National Fund and credit institutions. Any significant withdrawal of these funds would have an adverse impact on the operations of the Group. Management believes that this level of funding will remain with the Group for the foreseeable future and that in the event of a withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment. In addition, as part of the Group's strategy, it is seeking to continue to diversify its funding sources. See "*Business—Strategy*".

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates or foreign exchange rates. The Group separately identifies and classifies exposures to market risk into either its trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on a VaR methodology, which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses.

Market Risk – Trading

The Company's Management Board has set limits on the level of trading market risk that may be accepted. The Group applies a VaR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. The Group uses simulation models to assess possible changes in the market value of its investment portfolio based on historical data from the past five years. For further information relating to the Group's trading market risks, see Note 43 to the Consolidated Financial Statements.

Interest Rate Risk

Interest risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company attempts to match the prices for its loans and finance leases (interest earning assets) with its cost of funding (interest-bearing liabilities). In order to minimise interest rate risk, the Company regularly monitors the cost of its borrowings, reviews and renegotiates the terms of its funding and resets the prices for its interest earning assets. In particular, when setting prices for its loans and finance leases, management will typically consider prevailing rates on funding, as well as perceived potential changes in the near future. In the event that management expects a significant increase in the cost of its funding, it will generally restructure the prices to be imposed under future assets to account for such increase. For further information relating to the sensitivity of the Group's income statement to changes in interest rates, see Note 43 to the Consolidated Financial Statements.

Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In order to minimize the exposure, the Group analyses potential instruments for hedging and/or diversifying foreign currency risk. Positions are monitored on a daily basis. As at 31 December 2013, the Group had significant exposure on its non-trading monetary assets and liabilities and its forecast cash flows to the U.S.$, the Euro. As at 31 December 2013, of 39.3% amounts due to credit institutions were denominated in Tenge compared to 67.2% as at 31 December 2012 and 24.7% as at 31 December 2011, respectively. The decrease in 2013 in Tenge-denominated amounts due to credit institutions was due to the Eurobond Offering.

The year-on-year increases in the proportion of loans denominated in Tenge were primarily attributable to a shift in management policy to borrow increasingly in Tenge in order to match fund assets and liabilities and because domestic lenders generally offer less burdensome conditions to the Group. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts due to credit Institutions—Amounts due to credit institutions by currency*".

For further information relating to the sensitivity of the Group's income statement to changes in interest rates, see Note 43 to the Consolidated Financial Statements.

Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers or counterparties repay or request repayment earlier or later than expected when interest rates fall. Management does not consider that the Company has significant prepayment risk. Because the loans and finance leases provided by the Company are typically extended at rates below market, in the event of an unexpected prepayment, there is generally sufficient demand in the market to reallocate resources to new customers. See Note 43 to the Consolidated Financial Statements.

Operational Risk

Operational risk is the risk of losses resulting from system failures, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. The Group actively promotes policies aimed at reducing risks of fraudulent or criminal activity, managing its credit approval processes within set limits and ensuring that its employees are sufficiently trained in the areas in which they operate.

Anti-Money Laundering

The Group intends to implement formal anti-money laundering policies across its various subsidiaries and adheres to the Law of the Republic of Kazakhstan "On Countering the Legalisation (Laundering) of Illegally Obtained Income and the Financing of Terrorism" passed on 28 August 2009. The Company's Internal Audit Service, Risk Management Department and Department for Internal Monitoring of Credit and Investment Activity are responsible for continually monitoring the Group's compliance with this legislation, as well as internal decrees promoting anti-corruption and the detection of fraud.

The Group co-operates closely with the State, including the Ministry of Finance's Financial Monitoring Committee, and the Company's subsidiaries engaged in lending and leasing activities also co-operate with the NBK and the NBK's Financial Market and Financial Organisations Monitoring and Oversight Committee, through the provision to such entities of periodic reporting.

BUSINESS

Overview

The Company was established under the laws of Kazakhstan on 15 January 2007 as Joint Stock Company «KazAgro» National Management Holding pursuant to Decree No. 220 of the President of the Republic of Kazakhstan dated 11 December 2006 and Resolution No.1247 of the Government dated 23 December 2006. The Company's registered office is 24 Republic Avenue, Astana, Republic of Kazakhstan and its telephone number is +7 7172 792 600. The Company's sole shareholder is the State, acting through the Ministry of Agriculture.

Pursuant to its Memorandum, the Company's purpose, through its subsidiary operating companies, is to implement public policies to regulate the domestic grain market and to stimulate the development of agriculture in Kazakhstan, and the Group's activities are focused on a number of key activities, including promoting productivity and growth in the agricultural sector through industrialisation and diversification, ensuring food security through the development and regulation of the domestic market, developing the export potential of the agricultural sector and the funding of various banks and financial institutions involved in restructuring the debt of borrowers in the agribusiness. The agricultural sector is of high importance for Kazakhstan in terms of production, employment and social issues. Management estimates that the Group is the largest creditor of the agricultural sector in Kazakhstan.

The Group is primarily funded by capital contributions to the Company and through loans provided at concessional rates from the National Fund and the State Budget, which are on-lent to its subsidiaries, as well as from borrowings from third parties, including the Eurobond Offering.

The Company, which is the holding company of the Group, performs its principal business activities through its subsidiaries. The Company's key subsidiaries are as follows:

- *"National Company "Food Contract Corporation" Joint Stock Company":* FCC's principal activities are to purchase grain from agricultural producers in Kazakhstan and sell grain on the domestic and international markets with the aim of ensuring food security in Kazakhstan and stabilising the domestic grain market, as well as developing Kazakhstan's grain export potential through the effective management of resources and the promotion of grain export infrastructure. As agent of the Government, FCC also maintains the State's grain reserves. FCC also conducts activities relating to the production and processing of cotton, as well as certain non-core businesses. Moreover, although historically FCC participated in investment projects in the agricultural sector and undertook lending activities to farmers for the purposes of, among other matters, funding the sowing and harvesting of various crops, it has not engaged in such activities since the beginning of 2013.

- *"KazAgroFinance" Joint Stock Company:* KazAgroFinance's activities aim principally to support the development of the agricultural sector in Kazakhstan through leasing and lending to the agricultural sector, as well as through participation in the implementation of the State Budget and other programmes aimed at the development of the agricultural sector. KazAgroFinance focuses its activities on large-to-medium-sized lessees and borrowers.

- *"Agrarian Credit Corporation" Joint Stock Company:* ACC's activities aim principally to promote the industrialisation and diversification of the agricultural sector in Kazakhstan through the development of affordable lending. ACC lends to specially-formed credit organisations, co-operatives and other associations for on-lending to the agricultural sector, as well as directly to entities and individuals operating in the agricultural sector or which are otherwise located in rural areas. ACC focuses its activities on small-to-medium-sized borrowers.

- *"Fund for the Financial Support of Agriculture" Joint Stock Company:* The Fund's activities aim principally to promote rural enterprise and the welfare of the rural population through the development of an effective micro-credit system. The Fund provides micro-credit services to the rural population, agricultural producers and small businesses and is also active in the creation of micro-credit organisations, which on-lend funds provided by the Fund to rural households and residents.

The Company, through other subsidiaries, provides a range of additional services to the agricultural sector in Kazakhstan. See "*—Principal Business Activities—Other Subsidiaries*".

Management believes that the Group is the largest creditor of the agricultural sector in Kazakhstan. Since 15 January 2007, the Group has financed 290 projects with an aggregate value of KZT 185.7 billion as at 31 December 2013.

Management believes that these projects have significantly contributed to the industrial development of Kazakhstan's agricultural sector. Management estimates that the new industries created by these projects have contributed to the creation of over 10,181 permanent jobs in Kazakhstan.

For the year ended 31 December 2013, the Group's net profit was KZT 1,685,399 thousand compared to net profit of KZT 2,284,216 thousand for the year ended 31 December 2012 and net profit of KZT 4,075,331 thousand for the year ended 31 December 2011. For the year ended 31 December 2013, the Group recorded an impairment charge for interest earning assets of KZT 6,036,475 thousand and other impairment charges of KZT 1,158,199 thousand compared to impairment charge for interest earning assets of KZT 11,160,195 thousand and other impairment charges of KZT 2,272,085 thousand for the year ended 31 December 2012 and impairment charge for interest earning assets of KZT 3,701,889 thousand and a reversal of other impairment charges of KZT 300,270 thousand for the year ended 31 December 2011. As at 31 December 2013, the Group had total assets of KZT 694,827,550 thousand compared to total assets of KZT 548,140,277 thousand as at 31 December 2012 and total assets of KZT 526,131,066 thousand as at 31 December 2011. For the year ended 31 December 2013, the Group's income tax expense was KZT 1,697,032 thousand compared to an income tax expense of KZT 1,721,219 thousand for the year ended 31 December 2012 and an income tax expense of KZT 527,560 thousand for the year ended 31 December 2011.

History

On 28 April 1995, FCC was established as a joint stock company, wholly-owned by the State, pursuant to Resolution No.309 dated 21 March 1995 of the Cabinet Ministers of Kazakhstan for the purpose of purchasing grain for State resources and developing new credit and payment mechanisms in the agro-industrial arena.

On 31 August 1998, the Fund was established as a joint stock company, wholly-owned by the State, pursuant to Government Resolution No.650 dated 9 July 1998 for the purpose of implementing State policies for expanding access to financial and credit resources for the rural population in Kazakhstan.

On 28 December 1999, KazAgroFinance was established as a closed joint stock company, wholly-owned by the State, pursuant to Government Resolution No.1777 dated 24 November 1999 for the purpose of financing enterprises in the agricultural sector of Kazakhstan. In August 2003, KazAgroFinance was re-registered as a joint stock company.

On 20 March 2001, ACC was established as a closed joint stock company, wholly-owned by the State, pursuant to Government resolution No.137 dated 25 January 2001 for the purpose of implementing the State's policies in connection with the financing of agri-businesses in Kazakhstan.

On 11 September 2001, "KazAgroProduct" Joint Stock Company ("**KazAgroProduct**") was established as a closed joint stock company, wholly-owned by the State, pursuant to Government Resolution No.1168 dated 8 September 2001 for the purpose of implementing the State's policies in connection with the development of the livestock industry in Kazakhstan. On 14 June 2005, KazAgroProduct was re-registered as a joint stock company.

On 31 March 2003, "KazAgroMarketing" Joint Stock Company ("**KazAgroMarket**") was established as a closed joint stock company, wholly-owned by the State, pursuant to Government Resolution No.220 dated 28 February 2003 for the purpose of implementing the State's policies in connection with the promotion of marketing and information resources for the agricultural sector in Kazakhstan.

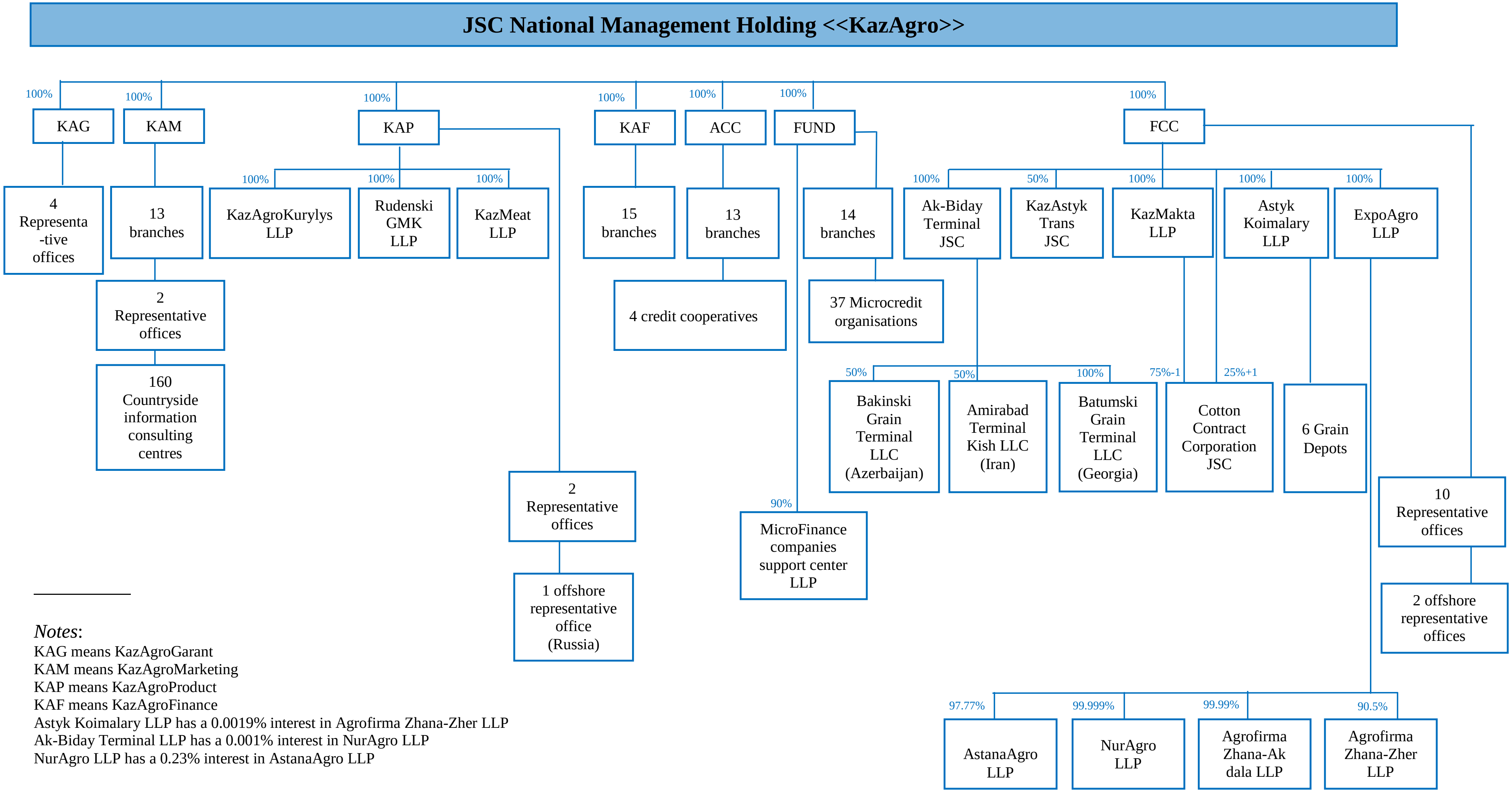
On 23 June 2003, KazAgroGarant was established as a joint stock company wholly-owned by the State, pursuant to Government Resolution No.239 dated 12 March 2003 for the purpose of implementing the State's policies in connection with the development of a guarantee system for grain and cotton storage (although, historically, KazAgroGarant has not issued guarantees relating to cotton activities).

On 23 December 2006, the Government resolved to transfer the ownership of the entire issued share capital of each of FCC, the Fund, ACC, KazAgroProduct, KazAgroMarket and KazAgroGarant to a newly formed holding company in order to bring the various State-owned companies operating in the agricultural sector together in a single group with a centralised structure for funding.

On 15 January 2007, the Company was established as Joint Stock Company «KazAgro» National Management Holding pursuant to Decree No.220 of the President of the Republic of Kazakhstan dated 11 December 2006 and Resolution No.1247 of the Government dated 23 December 2006. On 17 April 2007, the transfer of the shares of FCC, the Fund, ACC, KazAgroProduct, KazAgroMarket and KazAgroGarant to the Company was effected. On 17 April 2007, KazAgroFinance also became a wholly-owned subsidiary of the Company.

Structure of the Group

The chart below sets forth the organisational structure of the Group.



Notes:
KAG means KazAgroGarant
KAM means KazAgroMarketing
KAP means KazAgroProduct
KAF means KazAgroFinance
Astyk Koimalary LLP has a 0.0019% interest in Agrofirma Zhana-Zher LLP
Ak-Biday Terminal LLP has a 0.001% interest in NurAgro LLP
NurAgro LLP has a 0.23% interest in AstanaAgro LLP

Strengths

The Company believes that it benefits from the following strengths:

- ***Strong Government Support***

  As a 100% State-owned entity, which plays a central role in the Government's policies, including those of the Ministry of Agriculture, in Kazakhstan's agricultural sector, the Group benefits from strong State support. The credit ratings assigned to the Company are indicative of such support, matching or near to the sovereign ratings of Kazakhstan published by S&P (the Company and the sovereign are both assigned a rating of BBB+ (outlook stable)) and Fitch (the Company is assigned a rating of BBB (rating watch negative) compared to the sovereign rating of BBB+). Moreover, the Government continues to be closely involved in defining the Group's strategy with several senior members of the Government holding positions on the Board of Directors.

  The State's budget plans and funding distributions over the last three years demonstrate the strategic importance of the agricultural sector in Kazakhstan. The Government's commitment to Kazakhstan's agricultural development is strong and has been recently demonstrated by the implementation of the key 2020 Agro-Industry Programme (the "**2020 Agro-Industry Programme**"), pursuant to which the State anticipates making additional funds of over KZT 300 billion available for the financing and development of the agricultural sector until 2020. Management believes that the Group will play a key role in the implementation of this Programme and will continue to maintain its position as the primary vehicle for providing Government financial support to, and developing, the agricultural sector and rural areas of Kazakhstan.

- ***Significant Competitive Advantages in Providing Finance to the Agricultural Sector***

  Management believes that the Group is the largest provider of finance to the agricultural sector in Kazakhstan, with the Group offering a wide range of lending, finance leasing and micro-finance and other credit products carefully tailored to the specific needs of its customers. Because its activities are mandated by applicable laws and State policies, the Group is also able to develop existing and explore new segments of the agricultural sector, which are not yet penetrated by commercial financial institutions. In particular, as a consequence of funding available to the Group at concessional rates, as well as the Group's participation in Government programmes, which are specifically targeted at development needs, the Group is able to provide loans and finance leases to a wider range of customers than other market participants, including to customers who would not otherwise have access to financing. The Group's access to such funding at concessional rates also permits the Group to advance funds at rates and on terms that are typically more favourable than would otherwise be available in the market, while still making a profit.

- ***Target Market Expertise by Subsidiary***

  While management believes that the Group is the largest provider of finance to the agricultural sector in Kazakhstan, the Group is structured so that its different subsidiaries concentrate on, and have developed significant expertise in dealing with, different target markets. KazAgroFinance focuses on loans and leases to large- and medium-sized businesses, while ACC provides finance to medium- and small-sized businesses and the Fund provides access to micro-credit to small agricultural businesses and to the rural population. Moreover, FCC is the leading participant in the agricultural sector in grain trading activities in respect of which it operates without any significant competition. Each subsidiary is, in turn, supported by the expertise located at the Group level. As a result each subsidiary is able to tailor its products to, and concentrate on, the specific needs of its target customer base.

- ***Extensive Distribution Network to a Wide Customer Base***

  The Group's extensive distribution network, including 55 branch offices and 21 representative offices, provides wide geographic coverage across Kazakhstan and proximity to the Group's target customers operating in the agricultural sector who would not otherwise have local access to credit providers. This network, together with the Group's other activities in the agricultural sector, such as the grain and livestock procurement activities conducted by FCC and KazAgroProduct and the analytical and information services activities conducted KazAgroMarket, as well as the Group's general historic track record of operating in the Kazakhstan agricultural sector, gives the Group the competitive advantage of a deep understanding of the sector overall and of the related respective risks of providing financing to its target customer base.

- ***High Capitalisation and Subsidised Funding***

  Approximately 43.3% of the Group's total funding as at 31 December 2013 comprised State contributions to the share capital of the Company. Furthermore, the Group also benefits from a series of loans from the State at concessional rates. As at 31 December 2013, the remaining 56.8% of the Group's total funding was comprised of loans from the National Fund (10.7%), loans from the State Budget (2.6%), borrowings from third parties (10.4%) (including loans from foreign banks and IFIs (8.1%) and loans from Kazakhstan banks (2.3%)), proceeds from domestic bonds issued by the Group and the Eurobond Offering (24.8%) and monies provided by local authorities (0.01%). The funding support provided by the State has permitted the Group to maintain an active role in lending to the agricultural sector, in comparison to Kazakhstan's commercial banking sector, which has been more significantly affected by the effects of the global financial crisis.

Strategy

The Group's development strategy for 2011 to 2020 was approved by Resolution No.52 of the Government dated 31 January 2011 (the "**Development Strategy**"). Pursuant to the Development Strategy, the Group's principal objectives are as follows:

- *To encourage the growth of labour productivity in Kazakhstan's agricultural sector through industrialisation and diversification*: The Group will seek to continue to expand its customer base to make funding accessible, in line with designated Government programmes, to a wide range of participants operating in the agricultural sector, as well as the rural population. The Group intends to continue to identify and finance innovative investment projects for the production and processing of agricultural raw materials and to raise capital for such purposes. The Group intends to develop its existing strategy of providing funds to banks and financial institutions which are involved in restructuring the debt of borrowers in the agribusiness. In connection with this initiative, the Government recently decided to increase the State contributions to the share capital of the Company by KZT 20 billion.

- *To participate in ensuring Kazakhstan's food security by developing and regulating the domestic food market*: In addition to FCC's continuing role in managing the State's grain reserves, the Group intends to continue to identify and finance investment projects aimed at developing food production, as well as to monitor and develop all aspects of the wholesale food market, including through the further development of mandatory crop insurance. The Group also intends to invest in improvements in its grain storage facilities.

- *To promote the development and realisation of the export potential of the agricultural sector in Kazakhstan*: The Group aims to promote an increased volume of agricultural produce exports through, among other things, the implementation and financing of export-oriented projects, the expansion of infrastructure for storing and exporting grain and the development of intensive livestock breeding programmes.

- *To improve the Group's efficiency, risk management and corporate governance and ensure the transparency of the Group's operations:* The Group aims to continue to improve the return on its equity and assets, the quality of its loan portfolio and its monitoring of financed projects, as well as to enhance its risk management functions. The Group intends to continue to diversify its funding sources. The Group has historically obtained funding from IFIs such as the EBRD and will continue to consider future opportunities for funding from such sources. The Group also intends to develop and promote a unified brand across the companies within the Group and will continue to consider potential options for rationalising its business lines.

Participation in the Government's 2020 Agro-Industry Programme and Other Existing Government Programmes

The 2020 Agro-Industry Programme

The Group participates in a number of existing Government programmes and initiatives, including the Government's latest key development programme for the agricultural sector in Kazakhstan, entitled "Agribusiness—2020", which covers the years 2013 to 2020 (the "**2020 Agro-Industry Programme**").

On 18 February 2013, the Government adopted the 2020 Agro-Industry Programme, which aims to increase the competitiveness of Kazakhstan's agricultural sector. Under the 2020 Agro-Industry Programme, the Ministry of Agriculture is mandated to focus on the continued: (i) diversification of, and an overall increase in, crop production through the application of innovative "moisture-saving" technologies and the use of new and currently unused land; (ii) development of effective tax regimes for entities operating in the agricultural sector; (iii) development of infrastructure for grain production; (iii) development of Kazakhstan's export potential of cattle meat; (v) technological upgrading of the agricultural processing industry; and (vi) the funding of various banks and financial institutions involved in restructuring the debt of borrowers in the agribusiness.

Under the 2020 Agro-Industry Programme, direct State support to the agricultural sector through subsidies is expected to increase by a multiple of 4.5 times by 2020 compared to current levels and State financing and refinancing of up to KZT 300 billion of concessional rate loans in the agricultural sector is also expected to be made available.

Funding for the 2020 Agro-Industry Programme in 2014 includes KZT 282.8 billion allocated from the State Budget, KZT 28.2 billion allocated from local authority budgets and KZT 150.0 billion allocated from bond issues, as well as KZT 5 billion from the Company's own funds. The Government has also approved the offering of an additional KZT 20 billion by the Company to support the agrarian sector. A further KZT 150 billion of funding for the 2020 Agro-Industry Programme from bonds issued by the Company or other entities within the Group is also expected to be allocated in 2014. The 2020 Agro-Industry Programme provides that, in 2013 and 2014, the Company or other entities within the Group shall attract funds of KZT 300 billion to provide further support for enterprises undergoing financial recovery in all sectors of agribusiness in Kazakhstan. Management expects that the Government will assist the Group in this mandate by allocating assets from the State Budget to subsidise interest rates on loan and lease obligations of companies that are undergoing financial recovery.

Other Existing Government Programmes

In addition to the 2020 Agro-Industry Programme, the Group also participates in a number of other Government Programmes of which the following are the most significant:

- the Ministry of Agriculture's strategic plan, which covers the years 2011 to 2015 (the "**Ministry of Agriculture's Strategic Plan**");

- the Programme for Accelerated Industrial and Innovation Development of Kazakhstan, which covers the years 2010 to 2014 (the "**Industrialisation Programme**");

- the National Action Plan for implementing the Message of the Head of State to the people of Kazakhstan of 14 December 2012 "Strategy "Kazakhstan – 2050": a new political course of an established state" (the "**National Action Plan**"); and

- the Government's strategic development plan of the Republic of Kazakhstan up to 2020 (the "**Business Road Map 2020**" **Programme**").

Ministry of Agriculture's Strategic Plan

The Ministry of Agriculture's Strategic Plan comprises a list of activities to be carried out in order to implement the 2020 Agro-Industry Programme. Under the Ministry of Agriculture's Strategic Plan, the Group is required to perform specific tasks, including, but not limited to, leasing agricultural machines and equipment, providing project finance, procuring grain, granting loans for the purchase of importing breeding stock and livestock products and providing consulting services.

Industrialisation Programme

The Industrialisation Programme, which was approved by Presidential decree No.958, dated 19 March 2010, sets out expected investments of over KZT 6.5 trillion during the period from 2010 to 2014. The Industrialisation Programme consolidated all previously-adopted State industrial programmes (over 50 in total) under one programme. The Industrialisation Programme mandates that the Company shall act as "industry operator" and provide finance for high-tech investment projects in the agricultural sector. The Group is also tasked with developing and implementing specialised financial institutions, including micro-finance organisations and rural loan co-operatives, and increasing the level of support to agribusiness through financial and non-financial instruments.

The Industrialisation Programme is a top public priority and its implementation is monitored by the President of the Republic against performance indicators, such as growth in productivity and increases in total exports of goods and services.

The Government is in the process of developing a draft Industrialisation Programme for 2015 to 2019, with a view to strengthening of the Group's role to ensure continued development in the agricultural sector, through, among other things, an increase in investments in projects in priority agricultural sectors.

National Action Plan

In connection with the implementation of the President of Kazakhstan's address to the People of Kazakhstan on 14 December 2012, the President issued an edict adopting the National Action Plan. The National Action Plan sets a target for Kazakhstan to become one of the 30 most developed countries in the world. With respect to the agricultural sector, the National Action Plan mandates the Ministry of Agriculture and the Company, under the supervision of the Deputy Prime Minister of Kazakhstan, to develop a programme aimed at large-scale modernisation of the agricultural sector to: (i) promote significant growth of crop yields; (ii) increase the acreage of land capable of cultivation; (iii) introduce new technologies to the agricultural sector; (iv) improve fodder resources in line with international standards; and (v) expand export markets for food products. The National Action Plan further provides for an increase in State funding for the agricultural sector by 4.5 times. In addition, the Ministry of Agriculture, the Ministry of Economic Development and Trade, the Ministry of Finance, the Ministry of Justice, the Land Management Agency and the Company are mandated by the National Action Plan to develop a system of legislative and economic incentives for the development of medium- and large-sized agricultural facilities to utilise new agricultural technologies.

"Business Road Map 2020" Programme

The "Business Road Map 2020" Programme was approved by Resolution No.301 of the Government on 13 April 2010. This programme aims to: (i) ensure sustainable and balanced growth of regional businesses in the non-energy sectors of the Kazakhstan economy; (ii) preserve existing, and create new, permanent jobs by supporting new business initiatives; (iii) improve the Kazakhstan business sector generally; and (iv) support export-oriented industries. The Group is the main source of finance for investment in the agricultural sector under the "Business Road Map 2020" Programme and is tasked with selecting and processing the applications of applicants for project financing relating to agricultural investment, allocating financial resources and monitoring project outcomes and productivity.

Pursuant to the Business Road Map 2020, the Company intends to use some of the proceeds from the Eurobond Offering to lend to various banks and financial institutions, including its own subsidiaries, which are involved in restructuring the debt of borrowers in the agribusiness by on-lending additional funds or extending the maturity of these borrowers' loans (the "**Financial Rehabilitation Programme**"). Under this Financial Rehabilitation Programme, the Company intends to provide both Tenge and U.S. Dollar denominated loans to borrowers. Following the decision from the Government in April 2014, where the Company provides U.S. Dollar denominated loans under this Financial Rehabilitation Programme, borrowers will benefit from subsidies from the Government to soften the impact of the level of interest as a result of the loan's denomination in a foreign currency. The Company intends to commit up to two billion U.S. dollars to this Financial Rehabilitation Programme.

Principal Business Activities

The Company

Pursuant to its Memorandum, the Company's purpose is to implement public policies to regulate the domestic grain market to stimulate the development of agriculture in Kazakhstan and the Group's activities are focused on a number of key activities, including the stimulation of productivity growth in the agricultural sector through industrialisation and diversification, ensuring food security through the development and regulation of the domestic market and developing the export potential of the agricultural sector.

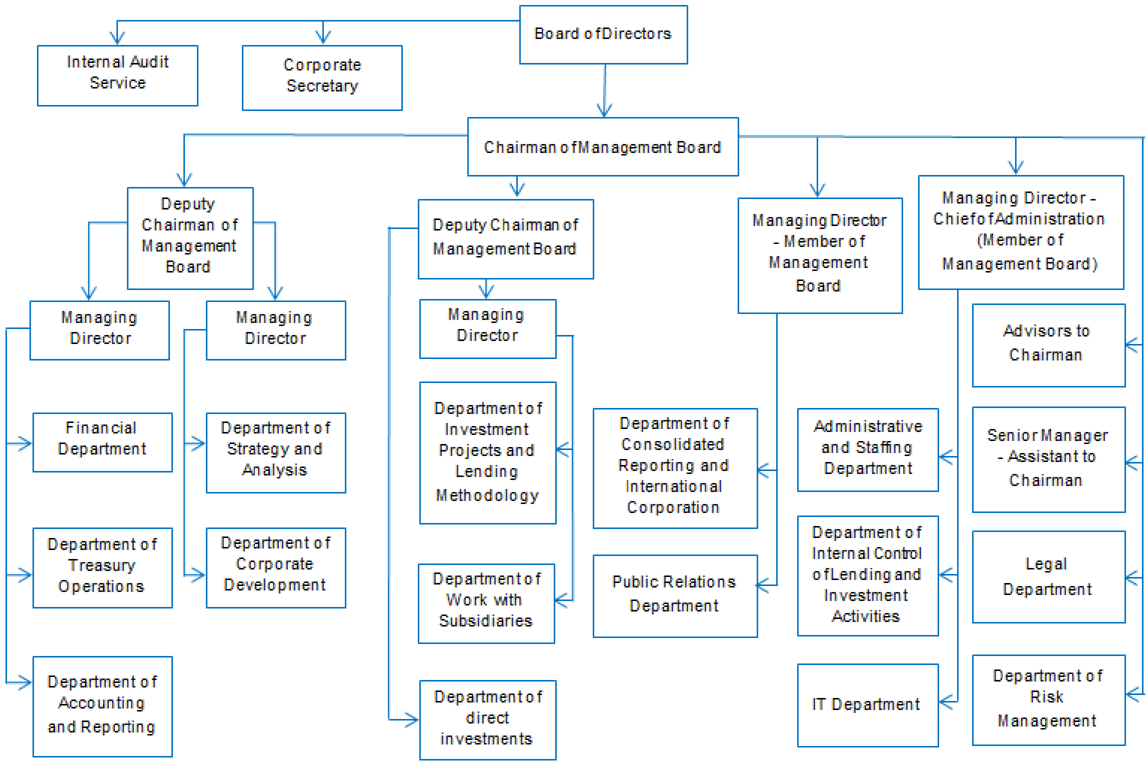
The Company is a holding company and performs its principal business activities through its subsidiaries. As at the date of this Base Prospectus, the Company has seven principal subsidiaries, including FCC, KazAgroFinance, ACC and the Fund, further details of which are set out below. For summary details of the Company's other subsidiaries, see "—*Other Subsidiaries*".

The Company manages and supervises the operations of its subsidiaries and is one of the principal sources of funding for its subsidiaries. Although certain of the Company's subsidiaries borrow directly from third parties, the Company also acts as a centralised source of funding for the Group, obtaining borrowed funds from the State Budget, the National Fund and the international capital markets (for example, through issuing the Eurobond Offering), and on-lending such funds to its subsidiaries. Furthermore, the Company also uses certain of the funds that it receives by way of capital contribution from its shareholder to make capital contributions to its subsidiaries. See "*—Selected Statistical and other Data—Principal Sources of Funding*".

Pursuant to the Business Road Map 2020 and the Financial Rehabilitation Programme, the Company intends to use some of the proceeds from the Eurobond Offering to lend to various banks and financial institutions, including its own subsidiaries, which on-lend these additional funds to existing borrowers in the agribusiness or extend the maturity of these borrowers' loans with these funds.

Structure of the Company

The chart below sets forth the organisational structure of the Company:



FCC

Overview

FCC was established as a joint stock company on 28 April 1995 in accordance with the resolution of the Cabinet of Ministers of the Republic of Kazakhstan No.309 dated 21 March 1995. Pursuant to its charter, FCC's objective is to ensure food security and stabilise the domestic grain market, as well as to develop Kazakhstan's grain export potential through the effective management of resources and the promotion of export infrastructure in the grain industry. FCC is a wholly-owned subsidiary of the Company.

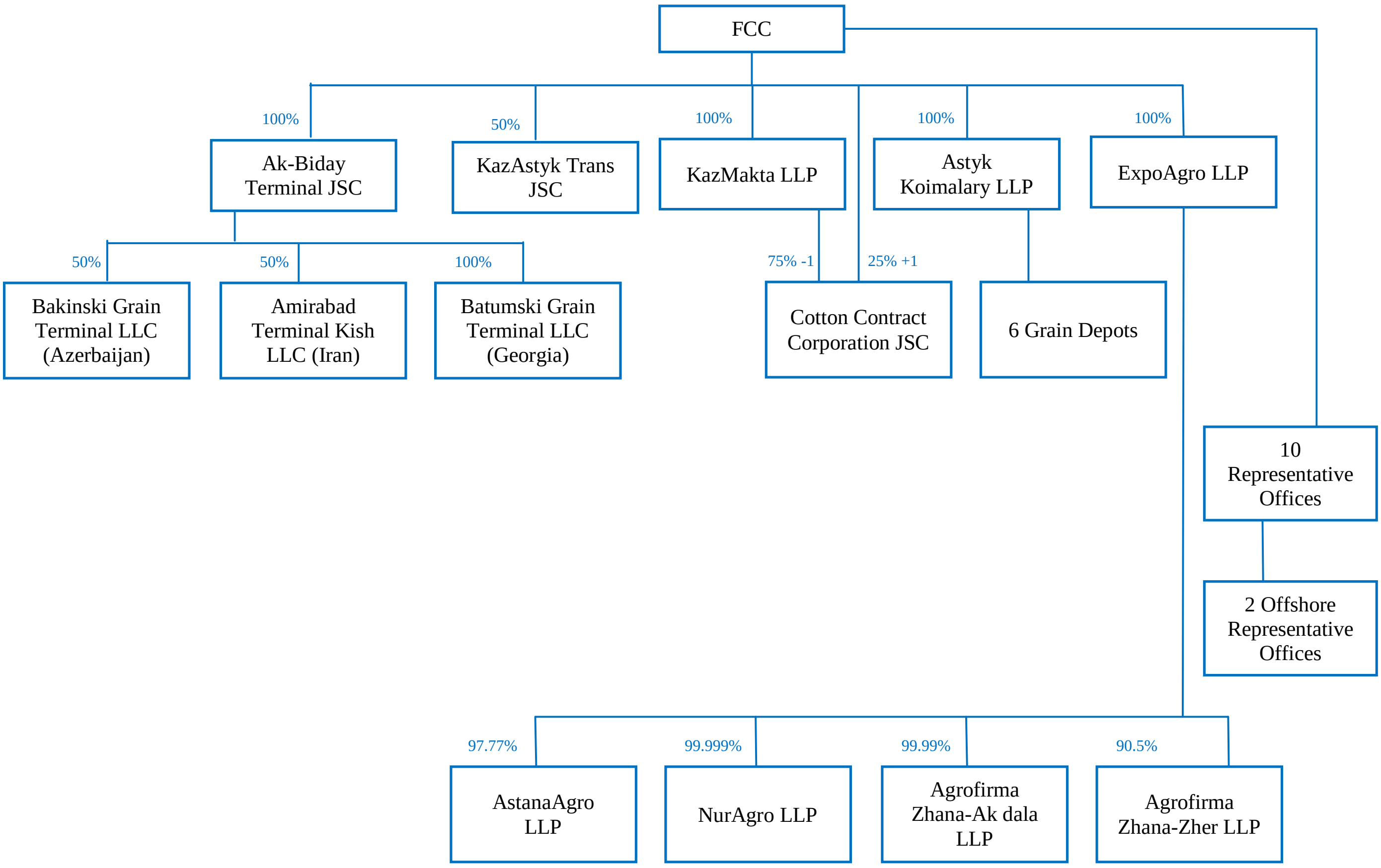
Pursuant to its charter, as approved by a resolution of FCC's sole shareholder dated 7 June 2011, FCC's principal businesses are to:

- purchase, store, transfer and sell grain and cotton and processed cotton products;
- implement investment projects in the agricultural sector; and
- act as an agent of the Government for the management of the State's grain reserves.

In addition to its grain trading activities, FCC engages, through a number of direct and indirect subsidiaries, in cotton trading activities aimed at stabilising the price of raw cotton in the domestic market, as well as in cotton trading and processing for commercial purposes.

FCC also conducts certain other non-core operations, which it intends to transfer to other entities within the Group or to cease conducting such activities in the medium term, although no particular plans for the realignment or termination of these operations have yet been established.

As at the date of this Base Prospectus, FCC conducts its activities through four wholly-owned subsidiaries, as well as two joint ventures and a number of indirectly- and partially-owned subsidiaries, under the following corporate structure:



FCC's head offices are located in Astana. FCC has ten representative offices in Kazakhstan, as well as two overseas representative offices in the Russian Federation and the People's Republic of China. As at 31 December 2013, FCC had 198 employees.

As at 31 December 2013, FCC had total assets of KZT 183,465,366 thousand and share capital of KZT 48,333,717 thousand. Although FCC had historically extended loans to the agricultural sector for the purpose of, among other matters, financing the sowing and harvesting of various crops, it ceased providing new financing for such activities at the beginning of 2013. These loans were funded initially only from FCC's own funds and, since 2010, from funds provided from the State Budget, FCC's own funds and proceeds from the Eurobond Offering. See "*—Other Financing Activities*"

Certain Aspects of the Grain Market in Kazakhstan

Kazakhstan is one of the world's leading producers and exporters of wheat and flour.

The main markets for the export of Kazakh grain include both CIS and non-CIS countries. The traditional markets for Kazakhstan grain include most Central Asian countries, Iran, Azerbaijan and Afghanistan. New prospective markets, which are expected to increase their wheat imports in the coming years and which may, accordingly, offer opportunities for future Kazakh grain exports, include China, Japan, South Korea and other countries in Southeast Asia. Other major markets that do not regularly import Kazakh grain, but are of key importance in the global grain consumption structure, include many countries in North Africa, the Middle East and the EU, as well as Turkey. In particular, exports of Kazakh grains to China represented 10,000 tonnes of grains in 2013 and contracts to sell 15,000 tonnes of grains were entered into during the first half of 2014. FCC intends to increase the level of exports of grain to the Chinese market, subject to further improvements in infrastructure for storing and exporting grain, including the construction of export terminals, which require an inter-governmental agreement.

Kazakhstan's agricultural sector involves a full spectrum of participants, ranging from small- and medium-sized grain producers to major agricultural holdings and exporters with a developed network of granaries and processing facilities and established trading activities.

In addition to farms which are directly involved in the grain production process, the grain market in Kazakhstan also features a large number of resale trading organisations, which perform intermediary functions. In many instances, these organisations purchase grain at low prices from farms that do not have the ability to independently sell their grain for export or to deliver it to granaries. These intermediaries then have the ability to sell the grain for export during periods when conditions are favourable in the export markets. Major domestic grain companies, primarily those that have granaries, execute similar purchase and sales strategies themselves. In addition to harvesting and storing their own grain, these companies purchase grain directly "from the fields", *i.e.*, from small farms at below market prices for re-sale when the appropriate opportunity arises.

During periods of sharp price fluctuations when small farms may be at risk of bankruptcy or losing opportunities to earn significant income from grain sales, or when there is a risk of sharp increases in flour and bread prices on the domestic market, at the instruction of the Government, FCC will similarly act as an intermediary in line with its State mandate to perform a stabilising function. In this capacity, FCC purchases grain at prices fixed by the State Commission in order to regulate the supply of grain and provide an available market at sufficient prices to support farmers who would otherwise be exposed to fluctuating market prices if they engaged in independent trading activities.

The table below sets forth the total production volumes and average prices for wheat in Kazakhstan for the periods indicated:

For the year ended 31 December					
2013		**2012**		**2011**	
Average price (*KZT/tonne*)	**Wheat harvest** (*thousand tonnes*)	**Average price** (*KZT/tonne*)	**Wheat harvest** (*thousand tonnes*)	**Average price** (*KZT/tonne*)	**Wheat harvest** (*thousand tonnes*)
33,488	13,940	29,624	9,841	34,159	22,732

Note:
By volume in tonnes, purchases and sales of wheat comprise more than 85% of grain trading in Kazakhstan (on average).
Source: NSA

Purchase and Sale of Grain

More than 95% of all grain trading activities conducted by FCC comprise the purchase and sale of wheat. FCC purchases and sells grain both to regulate the market and for commercial purposes, as well as in its capacity as agent of the Government for the purposes of maintaining the State's grain reserves. FCC stores the grain that it purchases and sells it on the open market both domestically and for export. FCC transfers and sells grain to the regions of Kazakhstan to satisfy grain shortages in those regions.

The following table sets forth unaudited information in respect of FCC's grain sales and purchases for the periods indicated:

	For the year ended 31 December					
	2013		**2012**		**2011**	
	(thousand tonnes)	*(KZT thousands)*	*(thousand tonnes)*	*(KZT thousands)*	*(thousand tonnes)*	*(KZT thousands)*
Sales of grain[(1)]	1,497.4	46,727,144	1,941.7	66,537,219	2,355.6	58,013,249
Purchases of grain[(1)]	205.3	5,509,211	631.0	16,646,835	4,706.5	113,416,360

Source: Group management accounts

Note:
(1) Including VAT.

The ten largest customers of grain together accounted for approximately 22.26% of the Group's total grain sales in 2013 (both by sales volume and by revenue from the sales of grain).

Purchase and Sale of Grain to Regulate the Market

FCC's purchase and sale of grain is primarily regulated by the policies of the Government and, in particular, the Ministry of Agriculture, aimed at the promotion of stability in the domestic grain market. Such policies are determined on the basis of, among other things, the grain yield realised in the domestic harvest for any given year, as well as, potentially, the prior years, and the perceived impact of the grain yields on the domestic market. Each year, the Government considers the advisability of adopting regulatory measures and, if the Government considers such measures to be necessary, the State Commission will set the price at which FCC is required to purchase grain and the price at which FCC is required to sell grain on the domestic market for the purposes of satisfying these measures.

Grain Sales

FCC's Committee on Grain Resources Management considers requests from potential buyers of grain and is responsible for approving the customers to which grain from commercial and state resources is sold.

FCC's Committee on Grain Resources Management is comprised of the following:

- Managing Director of FCC, who acts as FCC's Commercial Director and chairs the committee;
- Managing Director - Director of Grain Management;
- Director of Accounting;
- Director of Finance;
- Legal Director; and
- Director of Risk Management.

Decisions taken by the Committee on Grain Resources Management form the basis on which sale contracts between FCC and potential buyers are concluded.

Grain Purchases

The application of the State Budget for the purchase of grain, the amount of funds to be used and the prices paid for the purchase of grain are set annually by a resolution of the State Commission. The purchase of grain from commercial resources is funded by:

- FCC's own resources;
- funds generated by the Group;
- funds obtained from foreign banks and leading commercial banks in Kazakhstan; and
- the issue of bonds by FCC (or the Company) in the domestic market and the international capital markets through the Eurobond Offering.

The use of grain purchased from commercial resources and price determination for grain purchased from commercial resources is directed by the State Commission, which, in its role as advisory body to the President of Kazakhstan, answers questions on topics such as the modernisation of the Kazakhstan economy.

FCC conducts extensive procurement operations following good harvests when the grain yield is high, with the aim of reducing the impact of sharp decreases in domestic prices and removing surplus grain from the market. In 2013, for example, Kazakhstan experienced a good wheat harvest and FCC purchased 205.0 thousand tonnes of grain. FCC stores the grain that it purchases in good harvest years in its own storage facilities, as well as third-party storage facilities.

Conversely, following harvests when the grain yield is low, in an effort to dampen sharp increases in the cost of flour and baked goods, FCC supplies grain to regions of Kazakhstan at a fixed price set by the State Commission, which is generally below that of the market price in an amount determined by the relevant local authorities, which is based on the needs of grain processing enterprises in the region. In 2010 and 2012, for example, FCC supplied grain to regions of Kazakhstan at a fixed price of KZT 25,000 per tonne and 28,000 KZT per tonne, respectively, at a time when the prevailing market price was KZT 35,000 to KZT 45,000 per tonne and KZT 38,000 to KZT 45,000 per tonne, respectively.

Purchase and Sale of Grain for Commercial Purposes

In addition to its main function to stabilise the grain market in Kazakhstan, FCC purchases and sells grain for commercial purposes, both in the domestic market and for export at prices set by FCC itself. Having regard to its primary policy to regulate the domestic grain market, FCC sets prices for its domestic grain trading activities by reference to prevailing market prices, but at levels which are typically above market prices for purchases and below market prices for sales. In order to enhance the transparency of its activities, since the autumn of 2012, FCC began selling grain on the open market exclusively through the Kazakhstan Commodities Exchange.

FCC sets its prices for exports with a view to maximising profit, based on benchmark analytical data for global and regional grain markets, including prevailing prices in the main sales markets for Kazakhstan grain and the tariff policies of transit countries. Based on the relevant data, FCC determines export prices based on the shipment destinations and accounting for transport expenses and fees.

Purchase of Grain as Agent of the Government for the Purposes of Managing the State's Grain Resources

FCC also acts as an agent for the Government in managing the State's grain reserves. The State's policy is to maintain a minimum reserve of 500,000 tonnes of grain at all times. As agent of the Government, FCC purchases, stores and sells grain on behalf of the State to meet this minimum reserve requirement. FCC is required to purchase grain to add to the State reserves in a minimum amount equal to one-third of the required reserve level each year, irrespective of whether the actual reserves then existing have been utilised to this extent.

The State Commission annually sets the price for the purchase of grain for State reserves, as well as the total amount of State Budget funds allocated to purchase grain for such purposes. The Ministry of Agriculture makes funds available directly to FCC to finance FCC's purchase of grain for the State reserves. FCC is required to repay the funds made available to it in any given year for such purpose, without interest, in December of the following year.

In order to generate money to repay these funds, FCC is permitted to sell grain from the State reserves (but subject to maintaining the required level of State reserves, which is currently set at 500,000 tonnes of grain). To the extent that revenue from these sales exceeds the amount required to be repaid to the Ministry of Agriculture, FCC is entitled to retain a commission equal to 3.0% of the total amount of revenue generated from the sales of grain out of the State reserves. Moreover, FCC is entitled to retain any further revenue, in excess of amounts returned to the Ministry of Agriculture and FCC's commission, to offset potential losses that may be incurred by FCC in future years in connection with its grain trading activities aimed at maintaining State reserves. FCC separately accounts for grain held as State reserves, as well as the revenue relating thereto.

Purchase, Collection, Storage and Distribution Operations

FCC's purchase of grain takes place in two stages:

- FCC enters into forward purchase agreements for grain during the spring planting period; and
- FCC procures grain during the harvest period in the autumn.

FCC is the largest holder of grain in Kazakhstan; it stores the grain that it purchases at its own storage facilities, as well as approved facilities owned and operated by third parties. FCC contracts with third-party storage facilities, which are selected on a tender basis, and meet minimum insurance, quality and security requirements. FCC distributes a portion of the grain that it holds for the purposes of maintaining the State's grain reserves to the regions, both to its own and third-party storage facilities. These third party storage facilities are responsible for maintaining the quantity and quality controls of the grain being stored, as set out in the grain receipts issued to FCC.

FCC owns six grain storage facilities in the Akmola, North Kazakhstan and Zhambyl regions through its wholly-owned subsidiary, TOO Astyk Koymalary, including:

- *Grain Depot No.1 (Akmola Region, Akkol District, city of Akkol):* This grain depot has total elevator capacity of 192,800 tonnes, acceptance capacity from motor transport of 125 tonnes per hour, shipment capacity of 200 tonnes per hour, drying capacity of 150 tonnes per hour and cleaning capacity of 320 tonnes per hour.

- *Grain Depot No.2 (North Kazakhstan Region, G. Musrepov District, village of Novoishimskoye)*: This grain depot has total elevator and storage capacity of 142,800 tonnes, including elevator capacity of 70,400 tonnes and storage capacity of 72,400 tonnes, acceptance capacity from motor transport of 300 tonnes per hour, shipment capacity of 350 tonnes per hour, drying capacity of 218 tonnes per hour and cleaning capacity of 670 tonnes per hour.

- *Grain Depot No.3 (Zhambyl Region, city of Taraz)*: This grain depot has total elevator capacity of 23,000 tonnes, acceptance capacity from motor transport of 60 tonnes per hour, shipment capacity of 40 tonnes per hour and cleaning capacity of 60 tonnes per hour. This depot also has a dual-grade grinding mill with production capacity of 120 tonnes per hour.

- *Grain Depot No.4 (North Kazakhstan Region, Zhambyl District, Baumanskaya station):* This grain depot has total elevator capacity of 46,600 tonnes, acceptance capacity from motor transport of 125 tonnes per hour, shipment capacity of 100 tonnes per hour, drying capacity of 64 tonnes per hour and cleaning capacity of 220 tonnes per hour.

- *Grain Depot No.5 (Akmola Region, Zharkain District, Kenskaya station):* This grain depot has total elevator and storage capacity of 61,500 tonnes, including elevator capacity of 46,500 tonnes and storage capacity of 15,000 tonnes, acceptance capacity from motor transport of 150 tonnes per hour, shipment capacity of 150 tonnes per hour, drying capacity of 130 tonnes per hour and cleaning capacity of 300 tonnes per hour.

- *Grain Depot No. 6 (North Kazakhstan Region, Akzhar District, Daut station)*: This grain depot has total elevator and storage capacity of 81,200 tonnes, including elevator capacity of 62,000 tonnes and storage capacity of 19,200 tonnes, acceptance capacity from motor transport of 150 tonnes per hour, shipment capacity of 300 tonnes per hour, drying capacity of 100 tonnes per hour and cleaning capacity of 340 tonnes per hour.

In addition, FCC has interests in three sea-based grain terminals on the Caspian Sea through its subsidiary JSC Ak-Biday Terminal JSC, as follows:

- *Aktau Grain Terminal*: This grain terminal is located in the port of Aktau in Kazakhstan and has simultaneous grain storage capacity of 22,500 tonnes and transfer capacity of up to 600,000 tonnes. It is wholly-owned by Ak-Biday Terminal JSC.

- *LLC Baku Grain Terminal*: This grain terminal is located in the port of Baku in Azerbaijan and has simultaneous grain storage capacity of 15,000 tonnes and transfer capacity of up to 300,000 tonnes. It also has a mill with a capacity of 150 tonnes of grain/day and up to 50,000 tonnes of grain per year. The Baku Grain Terminal is owned by OOO Baku Grain Terminal, which, in turn, is 50% owned by JSC Ak-Biday Terminal JSC and 50% owned by AO Ak-Biday's Azerbaijani joint venture partner.

- *LLC Amirabad Grain Terminal*: This grain terminal is located in the port of Amirabad in Iran and has a simultaneous storage capacity of 53,000 tonnes and transfer capacity of up to 700,000 tonnes of grain per year. The Amirabad grain terminal is owned by OOO Amirabad Grain Terminal Kish, which, in turn, is 50% owned by Ak-Biday Terminal JSC ("**AO Ak-Biday**") and 50% by Behdis Tejerad Alborz Co., AO Ak-Biday's Iranian partner. This grain terminal, although initially funded with a capital contribution from AO Ak-Biday, is currently self-funding and does not require financial support from its parent or the Group. The only activities conducted at this grain terminal relate to the temporary storage and transhipment of grain. For the year ended 31 December 2013, AO Ak-Biday had revenues from storage and transhipment activities of KZT 222,920 thousand, or 0.43%, of the Group's total revenues from the sale of goods and services. As at 31 December 2013, the Company's 50% share of AO Ak-Biday's total assets was KZT 1,466,820 thousand, or 0.2% of the Group's total assets.

All six of the grain storage facilities in the regions were constructed in the Soviet era, while the sea-based terminals were built between 2006 and 2008.

In accordance with Decision No.17-5/11-3 dated 18 May 2012, the State Commission recommended that FCC increases its grain storage capacity by 700,000 tonnes. To meet this objective, in 2012, FCC, through its subsidiary, LLP Astyk Koymalary, commenced the implementation of a project to construct and equip new granaries and modernise existing granaries with a total storage capacity of 350,000 tonnes, including construction of storage facilities towards the border with China with a view to increasing its export operations to East Asia before the end of 2020. As at the date of this Base Prospectus, plans for the construction of the further recommended 350,000 tonnes of grain storage capacity have not yet been finalised. It is expected that the expansion project will be funded largely by funds from the State Budget.

Investment Projects

FCC provides equity financing for investment projects, which are, in turn, implemented and operated through its wholly-owned subsidiaries or, in the case of certain grain terminals, 50-50 joint ventures with unaffiliated third parties. FCC participated in eight investment projects between 2005 and 2013, whose objectives range from the construction and operation of grain terminals and mill complexes, as well as cotton processing factories, the development of a wholesale market for agricultural produce and the cultivation, processing and storage of fruit and vegetable crops. The most significant of these projects include the following:

- Since 2008, FCC has participated in an investment project aimed at developing the production of fruit and vegetables through the application of drip irrigation techniques, as well as related processing activities, in the southern regions of Kazakhstan. This project is being implemented through “Agriculture firm “Jana Ak Dala”, a wholly-owned subsidiary of FCC. As at 31 December 2013, FCC had contributed KZT 2,405,330 thousand to the share capital of this subsidiary for purposes of funding the implementation of the project. Pursuant to this project, 1,275 hectares (370 hectares relating to tomato production, 170 hectares of gardens and 735 hectares of fallow land) have been brought under cultivation and 8,492 tonnes of fruit and vegetables were produced in 2012, compared to 5,896 tonnes of fruit and vegetables produced in 2011. As a result of the Customs Union or Single Economic Space enacted into law by Kazakhstan, Russia and Belarus, Kazakhstan and Russia have benefitted the fruit and vegetable producers in Southern Kazakhstan.

- In October 2011, FCC participated in an investment project for the establishment of a vegetable store in the Almaty region with storage capacity of up to 13,000 tonnes, comprising 8,000 tonnes of onions and 5,000 tonnes of potatoes. As at 31 December 2013, FCC had contributed KZT 3,399,423 thousand to the share capital of this subsidiary for purposes of funding the implementation of the project.

- Since 2011, FCC has participated in an investment project aimed at developing the production of fruit and vegetables in the food belt around Astana. This project involves approximately 1,500 hectares being brought under cultivation in the Karaganda area for fruit and vegetable production, the purchase of agricultural equipment and the building of a vegetable store. The project is expected to be completed in 2015.

Non-Core Activities

In addition to its grain trading activities, FCC engages, through its direct wholly-owned subsidiary, Kazakhstan Maktasy JSC, in cotton trading activities aimed at stabilising the price of raw cotton and preventing price collusion and price dumping by cotton traders, particularly in the southern region of Kazakhstan where the rural population is dependent on cotton prices. In addition, FCC engages in the purchase and processing of raw cotton and the sale of processed cotton products and textile materials for commercial purposes, both domestically and for export, through a number of subsidiaries. In particular, Cotton Contract Corporation JSC, which is an indirect wholly-owned subsidiary of FCC, operates a cotton processing plant. The plant, which was constructed in 2006 at a cost of KZT 1.5 billion, has an annual capacity of 60 thousand tonnes of raw cotton per year. In addition, Kazakhstan Maktasy JSC owns and operates a cotton seed processing plant. This plant, which was constructed in 2009 at a cost of KZT 1.7 billion, has an annual capacity of up to 50 thousand tonnes of seeds per year, although it operated at only 50% of its capacity in 2012 and 2013.

FCC also conducts certain other activities, including the purchase of raw cotton and the sale of products that have been processed from raw cotton (cotton fibre, cotton lint, cotton motes, industrial cotton seeds and cotton linter), fruit and vegetable products (tomatoes, onions, eggplant, peppers), as well as goods processed from such produce (including tomato sauce manufactured at a tomato processing plant in the southern region of Kazakhstan). The Company currently intends to cease conducting these non-core functions in the medium term, although no particular plans for the realignment or termination of these operations have yet been established.

Historic Financing Activities

Between 2010 and 2012, FCC provided loans to finance the sowing and harvesting of various crops. These loans were funded initially from FCC's own funds and, beginning in 2010, from funds provided from the State Budget, as well as from FCC's own funds. The loans generally bear interest at rates which are below market, but include some margin to cover FCC's related costs. Funds are provided mostly on a short-term basis with maturities generally of one year or less and with the latest maturity date of any outstanding loan being in August 2016.

FCC has not provided any new loans outside of the Group since the beginning of 2013 and, as at the date of this Base Prospectus, FCC is considering, together with the Company's management, whether to wind-down these financing activities as outstanding loans become due. As at 31 December 2013, FCC continued to hold loans in an aggregate outstanding principal amount of KZT 8,119,063 thousand.

As at the date of this Base Prospectus, FCC's continues to hold a valid banking licence.

Regulation

Although FCC continues to maintain a banking license, it does not currently engage in new banking activities. Other than in its capacity as agent for the Government to maintain grain reserves for the State, and the requirements imposed under certain Government programmes to purchase or sell grain at prices established by the State Commission, FCC is not subject to regulation in its grain trading activities.

Funding Sources

FCC's lending and finance leasing activities are generally funded using: (i) amounts contributed to FCC's share capital, historically directly out of the State Budget and, since the establishment of the Group, by the Company; (ii) amounts provided from the State Budget and by the National Fund to the Company and on-lent to FCC; (iii) debt financing, including the proceeds received under loans with credit institutions, the proceeds of domestic market bond placements by FCC and the proceeds of the Eurobond Offering; and (iv) FCC's own funds. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to the Government*" and "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to Credit Institutions*".

KazAgroFinance

Overview

KazAgroFinance was established on 28 December 1999 as a result of reorganisation of a closed joint-stock company CJSC "State Fund for Financial Support of Agriculture" for the purposes of assisting agricultural manufacturers in renewing their stock of tractors and other agricultural machines. Following a reorganisation, certain of the company's assets and operations were transferred to a new company, CJSC "KazAgroFinance". CJSC "KazAgroFinance" was initially established as closed joint-stock company wholly-owned by the State, acting through the Ministry of Agriculture, for the purposes of developing and implementing funding programmes for agricultural manufacturers, leasing agricultural machinery and providing guarantees to commercial banks and extending funding to agricultural manufacturers, using both its own and borrowed funds.

In February 2004, KazAgroFinance was re-registered as a joint-stock company under the name JSC KazAgroFinance, in compliance with the requirements of the Law of the Republic of Kazakhstan "On Joint-Stock Companies" (the "**JSC Law**"). A re-registration certificate, No.28177 - 1901 AO, was issued to KazAgroFinance on 3 February 2004. On 17 April 2007, KazAgroFinance became a wholly-owned subsidiary of the Company.

KazAgroFinance's principal business is:

- leasing operations in the agricultural sector in Kazakhstan;
- lending and rendering financial and other services to entities operating within the agricultural sector in Kazakhstan; and
- participating in the implementation of State Budget and other programmes aimed at the development of the agricultural sector in Kazakhstan.

The primary focus of KazAgroFinance's business is to support the development of the agricultural sector of Kazakhstan through leasing and lending to companies and farms operating in this sector. KazAgroFinance provides funding in the form of finance leases for machinery and equipment to agricultural companies engaged in the manufacturing and processing of agricultural products, and commercial loans for the purchase of agricultural machinery and equipment, special purpose machinery and manufacturing facilities, as well as funding to meet the working capital needs of its customers (under both finance leases and loans financed through funds allocated under Government programmes).

KazAgroFinance focuses its activities on large- to medium-sized lessees and borrowers, although its customer base also includes small-to-medium sized agricultural producers (including farms and cooperatives), as well as other companies operating in the agricultural sector.

As at 31 December 2013, KazAgroFinance's top 20 finance leasing customers held leases in an aggregate amount of KZT 27,078,953 thousand, which accounted for approximately 24% of KazAgroFinance's leasing portfolio, and KazAgroFinance's top 20 borrowers, which accounted for approximately 51% of its lending portfolio held loans in an aggregate principal amount of KZT 20,515,986 thousand.

KazAgroFinance's head offices are located in Astana and it has 15 regional branches and no subsidiaries. As at 31 December 2013, KazAgroFinance had 412 employees.

As at 31 December 2013, KazAgroFinance had total assets of KZT 206,561,389 thousand and share capital of KZT 80,883,511 thousand. As at 31 December 2013, KazAgroFinance had approximately 3,945 active customers.

Finance Leasing

KazAgroFinance began offering finance leasing products in 2000. As at 31 December 2013, KazAgroFinance's aggregate leasing portfolio was KZT 114,482 million. See "*Selected Statistical and other Data—Finance Lease Receivables*" and Note 10 to the Consolidated Financial Statements.

The specified figures included in this "*KazAgroFinance* **-** *Finance Leasing*" section are presented on an unaudited basis and are derived from the Group's management accounts. They are not comparable with the aggregate leasing portfolio figure referenced above, which is presented on an audited basis. Certain portfolio components are classified and calculated on a different basis when the figures are presented on an unaudited basis, rather than an audited basis.

As at the date of this Base Prospectus, KazAgroFinance's active leasing client base consists of over 3,700 large, medium and small businesses operating in the agricultural sector in Kazakhstan, with a focus on large and medium-sized businesses. Between 1 January 2011 and 31 December 2013, KazAgroFinance advanced KZT 140 billion to lessees, including KZT 59 billion in 2013 (according to financial leasing agreements entered into). KazAgroFinance has no requirements as to the size or financial position of a lessee.

As at the date of this Base Prospectus, KazAgroFinance provides the following principal types of lease financing:

- *Leasing of agricultural machinery and vehicles for the transportation of agricultural products*: KazAgroFinance provides lease financing for agricultural machinery and vehicles for the transport of agricultural products. An initial deposit ranging from a minimum of 15% to a maximum 25% of the total value of the leased asset is required for such leases, which bears interest in respect of leases of agricultural machinery at an annual rate of 12.8% for terms of up to 10 years and in respect of leases of transportation 8.5% for terms of up to 5 years which are funded from KazAgroFinance's non-budgetary sources. In 2013, KazAgroFinance purchased and leased more than 3,000 units of agricultural machinery and vehicles for the transport of agricultural products. As at 31 December 2013, leases providing financing for agricultural machinery were outstanding in an aggregate amount of KZT 70,500 million (unaudited), while the average value of the assets financed per lease was KZT 10.9 million (unaudited), and such leases accounted for 58% (unaudited) of the aggregate amount of KazAgroFinance's total finance lease portfolio. The Government has not allocated any funds from the State Budget for the lease financing of agricultural machinery and vehicles for the transportation of agricultural products in 2014. KazAgroFinance intends, however, to continue to make such lease financing available using its own resources.

- *Leasing of equipment and special purpose machinery*: KazAgroFinance provides lease financing for equipment and special purpose machinery, including, among others, grain cleaning equipment and machinery for the livestock sector, hay-rakes and baling machines, cultivation machines, milking equipment and other types of special purpose machinery, under leases for terms of up to seven years. Such leases have grace periods of up to two years, and require an initial deposit ranging from a minimum of 15% to a maximum of 25% of the total value of the leased asset. The leases bears interest at an annual rate of 12.8% in respect of subsidised leases and of 8.5% in respect of non-subsidised leases funded from KazAgroFinance's non-budgetary sources. As at 31 December 2013, leases providing financing for equipment and special purpose machinery were outstanding in an aggregate amount of KZT 37,585 million (unaudited), while the average value of the assets financed per lease was KZT 25.5 million (unaudited), and such leases accounted for 31% (unaudited) of the aggregate amount of KazAgroFinance's total finance lease portfolio. The Government has not allocated any funds from the State Budget for lease financing of equipment and special purpose machinery in 2014. KazAgroFinance intends, however, to continue to make such lease financing available using its own resources.

- *Leasing of equipment for the processing of agricultural and fish products*: KazAgroFinance provides lease financing for equipment for the processing of agricultural and fish products under leases for terms of up to ten years. Such leases have grace periods of up to two years and require an initial deposit ranging from a minimum of 15% to a maximum of 25% of the total value of the leased equipment. The leases bear interest at an annual rate of 12.8% in respect of subsidised leases and of 8.5% in respect of non-subsidised leases funded from KazAgroFinance's non-budgetary sources. As at 31 December 2013, leases providing financing for equipment for the processing of agricultural and fish products were outstanding in an aggregate amount of KZT 2,942 million (unaudited), while the average value of the assets financed per lease was KZT 60.1 million (unaudited), and such leases accounted for 2% (unaudited) of the aggregate amount of KazAgroFinance's total finance lease portfolio. The Government has not allocated any funds from the State Budget for lease financing for equipment for the processing of agricultural and fish products in 2014. KazAgroFinance intends, however, to continue to make such lease financing available using its own resources.

- *Leasing of breeding stock*: KazAgroFinance, in cooperation with the Ministry of Agriculture, carries out a programme for the finance leasing of breeding stock. Leases under this programme have terms of up to seven years with a grace period of up to three years prior to payment. The leases bear interest at an annual rate of 8.5%, if funded, from KazAgroFinance's non-budgetary sources and at an annual rate of 4%, if funded, from KazAgroFinance's budgetary sources. As at 31 December 2013, leases covering breeding stock were outstanding in an aggregate amount of KZT 10,508 million (unaudited), while the average value of the assets financed per lease was KZT 110.6 million (unaudited), and such leases accounted for 9% (unaudited) of KazAgroFinance's total finance lease portfolio.

- *Leasing of agricultural aircraft*: In 2013, KazAgroFinance launched a new programme for the provision of lease financing of aircraft to conduct agrochemical activities, principally the fertilisation of crops from the air. Leases under this programme will have terms of up to eight years with a grace period of up to two years prior to payment. The leases will require a deposit of a maximum of 25% of the value of the leased assets and will bear interest at an annual rate of 8%. As at the date of this Base Prospectus, no lease financing has been granted under this programme.

- *Leasing of wind-farm equipment*: In 2013, KazAgroFinance launched a new programme for the provision of lease financing for the construction of windmills (which are expected, in turn, to generate electricity for remote farms in Kazakhstan) and wind pumps (which are expected, in turn, to be operated to facilitate irrigation of crops and the watering of animals). Leases under this programme will have terms of up to ten years with a grace period of up to two years and a minimum deposit of 20% of the value of the leased assets. The leases will bear interest at an annual rate of 8%. As at the date of this Base Prospectus, no lease financing has been granted under this programme.

KazAgroFinance permits lessees to select their own supplier of the assets to be leased.

Lending

KazAgroFinance began offering lending products in 2001. As at 31 December 2013, KazAgroFinance's aggregate lending portfolio was KZT 40,243 million.

The specified figures included in this "*KazAgroFinance - Lending*" section are presented on an unaudited basis and are derived from the Group's management accounts. They are not comparable with the aggregate lending portfolio figure referenced above, which is presented on an audited basis. Certain portfolio components are classified and calculated on a different basis when the figures are presented on an unaudited basis, rather than an audited basis.

As at the date of this Base Prospectus, KazAgroFinance's active lending client base consists of over 183 businesses operating in the agricultural sector in Kazakhstan. KazAgroFinance extends loans to agricultural companies and farms operating in various regions in Kazakhstan.

As at the date of this Base Prospectus, KazAgroFinance provides the following principal types of loans:

- *Working capital lending*: KazAgroFinance began providing working capital loans to agricultural companies for the purpose of purchasing spare parts for agricultural machinery in 2001. Loans made by KazAgroFinance for such working capital purposes in 2013 have terms of up to 3 years and bear interest at an annual rate of 12.8% (for existing projects) and 8.5% (for new projects). As at 31 December 2013, loans for working capital purposes were outstanding in an aggregate principal amount of KZT 23,004 million (unaudited), while the average principal amount per loan was KZT 118 million (unaudited), and such loans accounted for 50% (unaudited) of the aggregate amount of KazAgroFinance's total lending portfolio.

- *Agricultural and fish product processing equipment lending*: KazAgroFinance began providing loans for the purchase of agricultural and fish product processing equipment in 2008. Such loans have terms of up to seven years with a grace period of up to two years and bear interest at an annual rate of 12.8% (for existing projects) and 8.5% (for new projects). As at 31 December 2013, loans extended under the agricultural and fish product processing equipment lending programme were outstanding in an aggregate amount of KZT 9,318 million (unaudited), while the average principal amount per loan was KZT 78.3 million (unaudited), and such loans accounted for 20% (unaudited) of the aggregate amount of KazAgroFinance's total lending portfolio.

- *Equipment and special purpose machinery lending*: KazAgroFinance began making loans for the purchase of equipment and special purpose machinery in 2006. Such loans have terms of up to seven years with a grace period of up to two years. The loans bear interest at an annual rate of 12.8% (for existing projects) and 8.5% (for new projects). As at 31 December 2013, loans for the purchase of agricultural and fish product processing equipment were outstanding in an aggregate amount of KZT 12,717 million (unaudited), while the average principal amount per loan was KZT 59.4 million (unaudited), and such loans accounted for 28% (unaudited)of the aggregate amount of KazAgroFinance's total lending portfolio.

- *Agricultural machinery lending*: KazAgroFinance began making loans for the purchase of agricultural machinery in 2004. Such loans have terms of up to seven years with a grace period of up to two years. The loans bear interest at an annual rate of 12.8% (for existing projects) and 8.5% (for new projects). As at 31 December 2013, loans for the purchase of agricultural machinery were outstanding in an aggregate principal amount of KZT 1,108 million (unaudited), while the average principal amount per loan was KZT 41 million (unaudited), and such loans accounted for 2% (unaudited) of the aggregate amount of KazAgroFinance's total lending portfolio.

Investment Projects

In addition to its separate lease financing and lending activities, KazAgroFinance makes financing available for investment projects through a combination of finance leases and loans extended under coordinated financing programmes aimed at the development of agribusinesses in Kazakhstan. Such financing programmes are funded by amounts loaned by the National Fund to the Company and on-lent to KazAgroFinance under the Framework Agreement between the Company, as lender, and KazAgroFinance, as borrower. See *"Selected Statistical and Other Data—Principal Sources of Funding"*.

During the period from 1 January 2009 to 31 December 2013, using funds allocated by the National Fund to the Company and on-lent to KazAgroFinance, KazAgroFinance provided loans to 89 investment projects for a total amount of KZT 64.7 billion, including 31 projects for a total amount of KZT 18.7 billion in 2013. These projects included, among others, investments through the provision of loans aimed at the development of fodder production, dairy farms, poultry factories, greenhouses, vegetable storage units, irrigation systems, export infrastructure, meat processing, slaughterhouses and wool processing plants.

Funding Sources

KazAgroFinance's lending and finance leasing activities are generally funded using: (i) amounts contributed to KazAgroFinance's share capital, historically directly from the State Budget and, since the establishment of the Group, by the Company; (ii) amounts provided from the State Budget, by the National Fund to the Company and proceeds from the Eurobond Offering and on-lent to KazAgroFinance; (iii) debt financing, including the proceeds received under loans with credit institutions; and (iv) KazAgroFinance's own funds. See *"Selected Statistical and Other Data—*

Principal Sources of Funding—Amounts Due to the Government" and "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to Credit Institutions*".

Competition

Finance Leasing

KazAgroFinance is generally subject to competition from commercial banks with subsidiaries engaged in leasing activities and from domestic leasing companies. As at 31 December 2013, there were a total of 50 registered leasing companies in Kazakhstan, of which 13 were the most active and eight were subsidiaries of domestic commercial banks.

The leasing market in Kazakhstan is well developed with ten major participants providing leasing services similar to those offered by KazAgroFinance. As at 31 December 2013, KazAgroFinance was the largest leasing company in Kazakhstan in terms of the volume of its leasing portfolio and had a market share of approximately 67% of leasing activities, according to Rating Agency "Expert RA Kazakhstan". Management believes JSC Astana Finance Leasing, JSC KDB Leasing, Raiffeisen Leasing Kazakhstan LLP, JSC Halyk Leasing, Temirleasing JSC, JSC Leasing Group and JSC Astana Motors Leasing are the other major leasing market participants, comprising KazAgroFinance's most significant competitors.

Lending

In its lending activities, KazAgroFinance is generally subject to competition from domestic banks and finance companies including the DBK, as well as the leading commercial banks in Kazakhstan.

In addition, the Investment Fund of Kazakhstan JSC has similar objectives to those of KazAgroFinance, namely to support the development of growth sectors of the economy. However, the Investment Fund of Kazakhstan JSC is only permitted to make equity investments in non-extractive sectors of the economy and may not engage in lending activities. Accordingly, KazAgroFinance does not consider the Investment Fund of Kazakhstan JSC to be a competitor.

Regulation

KazAgroFinance holds a banking licence (licence No. 16 dated 31 March 2006) granted by the FMSC, a sub-division of the NBK, and is subject to regulation by the FMSC. As at the date of this Base Prospectus, the Company believes that KazAgroFinance is in compliance with all material requirements under its banking licence or otherwise applicable to it pursuant to relevant FMSC rules and regulations.

In particular, KazAgroFinance is required to comply with prudential standards in accordance with the Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations dated 25 February 2006 No.48 "On approval of the Instruction on Normative Values, the Method of Calculation of Prudential Regulations for Mortgage Companies, Subsidiaries of the National Holding Company in the Field of Agriculture, as well as the Form and Terms of Reporting on their Performance (with amendments as of 26 July 2013)". In accordance with the above State Resolution, KazAgroFinance prepares a monthly report on the implementation of prudential regulations, which it provides to the FMSC.

ACC

Overview

ACC was established in January 2001 as a joint stock company wholly-owned by the State, acting through the Ministry of Agriculture, pursuant to Government Resolution No.137 "On issues of providing credit to the agricultural sector" for the purposes of ensuring the availability and efficient use of credit to agricultural producers. The sole shareholder of ACC is the Company.

ACC participates in various Government programmes for the provision of credit to the agricultural sector. ACC's principal business is lending to CFPs and other associations for the onward provision of credit to the agricultural sector and participating in investment projects in the agricultural sector. ACC also lends directly to the agricultural sector and other rural businesses.

Between 2001 and 2009, ACC established 161 CFPs by contributing to the initial share capital of each CFP, developing lending programmes and assisting in attracting members. ACC intends to redeem such capital contributions in the long term and make these CFPs self-funding. In 2013, six additional CFPs were independently established. Accordingly, as at the date of this Base Prospectus, there are 168 CFPs operating in 160 of Kazakhstan's 175 administrative districts.

CFPs are a specific type of agricultural co-operative association managed by their participant members, which are typically agricultural producers that both own an interest in the CFP and borrow monies from the CFP to finance their agricultural activities. CFPs are subject to a number of requirements under the "Law of the Republic of Kazakhstan on Credit Partnerships" under which CFPs are established.

As part of its initial strategy, ACC intends to reduce its participation in these CFPs, therefore, reducing its level of control over their activities and encouraging them to rely on other sources of financing.

ACC focuses its activities on small-to-medium sized borrowers. ACC's head offices are located in Astana. As at 31 December 2013, ACC had 271 employees.

ACC has encountered one instance of fraudulent activity within a CFP. Although no financial loss was incurred by the CFP as a result of the activity, ACC implemented requirements to ensure that it monitors the CFPs in order to prevent fraudulent activity. ACC's approval is required in order for a CFP to appoint a Chairman and ACC carries out reviews of the CFPs at least once per year to monitor for potentially fraudulent activities.

As at 31 December 2013, ACC had total assets of KZT 125.8 billion and ACC's total loan portfolio amounted to KZT 113.2 billion. As at 31 December 2013, ACC had approximately 11,148 active customers. As at 31 December 2013, ACC had share capital of KZT 74.2 billion.

Lending

In accordance with Government Resolution No.645 dated 7 July 2006, ACC engages in the following principal lending activities:

- *Lending to CFPs*: ACC lends to CFPs on both a short-term and long-term basis. The CFPs, in turn, on-lend funds received from ACC to their participant members both on a short-term basis to finance day-to-day requirements for the production of crops and on a longer-term basis to finance the purchase of equipment and cattle. Loans to CFPs must have a minimum principal amount of KZT 1.0 million. As at 31 December 2013, loans to CFPs were outstanding in an aggregate principal amount of KZT 32.5 billion and accounted for 25.7% of the aggregate amount of ACC's total lending portfolio.

- *Lending to agricultural producers for the purchase of cattle (the "Sybaga" programme)*: ACC lends to individuals and companies for the purchase of cattle with the overall objective of developing the export potential of the Kazakhstan beef industry. Loans advanced under the Sybaga programme typically have a term of 9 to 10 years and bear interest at an annual rate of 6.0%. Sybaga loans may be granted to members of CFPs in a minimum principal amount of KZT 1.0 million up to a maximum principal amount of KZT 20.0 million, while Sybaga loans may be granted to other borrowers in a minimum principal amount of KZT 8.5 million up to a maximum principal amount equivalent to 25.0% of ACC's shareholders' equity. As at 31 December 2013, loans under the Sybaga programme were outstanding in an aggregate principal amount of KZT 16.5 billion and accounted for 13.1% of the aggregate amount of ACC's total lending portfolio.

- *Lending to agricultural producers for the sowing and harvesting of grain*: ACC on-lends funds received from the State Budget to grain producers, including both individuals and legal entities, on a short-term basis for the purposes of funding the sowing and harvesting of crops. Loans advanced under this programme typically are repayable at harvest and are secured on title to the grain being produced. These loans must have a minimum principal amount of KZT 1.0 million. As at 31 December 2013, loans to agricultural producers for the sowing and harvesting of grain were outstanding in an aggregate principal amount of KZT 33.5 billion and accounted for 26.6% of the aggregate amount of ACC's total lending portfolio.

- *Lending to agricultural associations*: ACC lends to agricultural and rural consumer co-operatives on both a short-term and long-term basis for the purposes of financing dairy, meat and fruit and vegetable production, as well as the processing of other products. Loans to agricultural associations may have a term of up to ten years and bear interest at an annual rate of 6.0%. These loans must have a minimum principal amount of KZT 1.0 million. As at 31 December 2013, loans to agricultural associations were outstanding in an aggregate principal amount of KZT 6.7 billion and accounted for 5.3% of the aggregate amount of ACC's total lending portfolio.

- *Lending to agricultural processors*: Since 2010, ACC lends to individuals and legal entities engaged in the processing of agricultural products. Loans to agricultural processors may be either short term, having a maturity of up to two years or longer, having a maturity of up to ten years and in either case bearing interest at an annual rate of 12.0%. Short term loans are typically provided for the purposes of baked goods production or the purchase of raw materials, while longer-term loans are generally available for the purposes of maintaining or modernising processing equipment. As at 31 December 2013, loans to agricultural processors were outstanding in an aggregate principal amount of KZT 4.7 billion and accounted for 3.7% of the aggregate amount of ACC's total lending portfolio.

- *Lending to non-agricultural SMEs operating in rural areas*: ACC lends to SMEs conducting operations in rural areas (such as hotels, roadside service centres and rural tourist sites), even though these entities are not directly involved in the agricultural sector. Loans to non-agricultural rural SMEs typically have terms of nine to ten years and bear interest at an annual rate of between 9.5% and 14.0%. ACC requires that the borrower of any loan under this programme has been operating for at least two years. As at 31 December 2013, loans to non-agricultural SMEs operating in rural areas were outstanding in an aggregate principal amount of KZT 0.9 billion and accounted for 0.7% of the aggregate amount of ACC's total lending portfolio.

In addition to these general lending activities, ACC provides financing for various projects categorised based on the source of funds for the relevant loans, including the following:

- *Lending to investment projects*: Historically, ACC made loans, using funds made available by the National Fund to the Company and on-lent to ACC, to facilitate investment in the construction and upgrading of agricultural facilities. Since mid-2011, this lending activity has been transferred to KazAgroFinance and ACC only extends additional tranches of financing under existing facilities, without making loans to finance new investment projects. As at 31 December 2013, lending to investment projects were outstanding in an aggregate amount of KZT 16.1 billion and accounted for 12.8% of the aggregate amount of ACC's total lending portfolio.

- *Lending to commercial projects*: ACC makes commercial loans, using funds raised through debt financing and from ACC's internal sources, to provide financing for other agricultural projects, which do not qualify for funding available under ACC's general lending programmes described above. As at 31 December 2013, lending to commercial projects were outstanding in an aggregate principal amount of KZT 15.1 billion and accounted for 12% of the aggregate amount of ACC's total lending portfolio.

- *Lending to projects identified by local authorities*: ACC makes loans, from funds allocated by local authorities, to provide financing for agricultural projects identified by the relevant local authority. As at 31 December 2013, lending to projects identified by local authorities were outstanding in an aggregate principal amount of KZT 0.06 million and accounted for 0.05% of the aggregate amount of ACC's total lending portfolio.

Funding Sources

ACC's lending activities are generally funded using: (i) amounts contributed to ACC's share capital directly, historically directly from the State Budget and, since the establishment of the Group, by the Company; (ii) amounts provided from the State Budget and by the National Fund to the Company and on-lent to ACC; (iii) debt financing, including the proceeds received under loans with credit institutions and, the proceeds of a domestic market bond placement by ACC; (iv) funds allocated by local authorities for identified projects; and (v) ACC's own funds. ACC intends to fund its lending activities by proceeds received by the Company from the Eurobond Offering and on-lent to ACC. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to the Government*" and "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to Credit Institutions*"

Competition

ACC believes that it is not subject to competition in its lending activities. While the DBK provides similar financing facilities, it targets large borrowers and large projects, while ACC's activities are focussed on more modest agribusinesses and rural SMEs.

Regulation

ACC holds a banking licence (licence No.5.2.24 dated 5 November 2013) granted by the FMSC and is subject to regulation by the FMSC. As at the date of this Base Prospectus, the Company believes that ACC is in compliance with all material requirements under its banking licence or otherwise applicable to it pursuant to relevant FMSC rules and regulations.

The Fund

Overview

The Fund was established in August 1998 as a joint stock company, wholly-owned by the State acting through the Ministry of Agriculture, pursuant to Government Resolution No.650 dated 9 July 1998. The Fund was registered under No.42635-1901-AO as at 5 March 2012. The sole shareholder of the Fund is the Company.

The Fund was established for the purposes of developing agricultural entrepreneurship and improving the welfare of the population by the creation of an effective micro-credit system in rural areas. The Fund's principal business is to provide micro-credit services directly to the rural population and small businesses, as well as funding to micro-credit organisations for on-lending to similarly-situated borrowers.

The Fund's head offices are located in Astana and it has 14 regional branches and 37 microcredit organisations located across Kazakhstan. The Fund does not have any representative offices, located across Kazakhstan. As at the date of this Base Prospectus, the Fund has one subsidiary, Centre for Assistance to Micro-Credit Organisations LLP, which provides institutional development assistance, including, among other things, staff training and credit assessment and monitoring services, as well as guidance aimed at promoting the ability of micro-credit organisations to raise their own funding. As at 31 December 2013, the Fund had 361 employees.

As at 31 December 2013, the Fund had total assets of KZT 40.4 billion and share capital of KZT 25.7 billion. As at 31 December 2013, the Fund's aggregate loan portfolio was KZT 33.63 billion and the Fund had approximately 20,960 active customers.

The Fund's Micro-lending Programmes

The Fund actively participates in a variety of lending and micro-credit programmes to the agricultural sector and the rural population of Kazakhstan, including the following:

- *Employment Programme 2020 (2nd direction):* Since 2013, the Fund participates in the second direction of the Employment Programme 2020 as a regional authorised organisation. For this purpose, the Fund signed loan agreements with all regional officials. The programme is aimed at rural citizens for expanding their own business and working capital, but not to finance any trading activity. Loans are issued for a period up to 54 months with an annual interest rate of 6%, in an amount up to KZT 3 million. Under these loans, grace periods of no more than one-third of the loan term are applicable and some collateral is required in the form of movable and immovable property. In 2013 the Fund attracted under this programme KZT 13.1 billion. As of the date of the Base Prospectus, all of the funds allocated to this programme have been disbursed. Currently, the Fund is aiming to raise resources in an amount of KZT 16.3 billion for the implementation of the programme in 2014. As at 31 December 2013, the aggregate principal amount outstanding of loans to micro-credit organisations was KZT 12.4 billion, and accounted for 32.5% of the aggregate amount of the Fund's total loan portfolio.

- *"Zhylyzhay":* This programme focuses on the construction of greenhouses for rural population to grow vegetables. Microloans of up to KZT 13,8 million are issued at an annual interest rate of 9.5% for a period of up to five years. In 2013, the Fund issued 16 loans valued at KZT 78.1 million. As at 31 December 2013, the aggregate principal amount outstanding of loans to micro-credit organisations was KZT 0.2 billion and accounted for 0.5% of the aggregate amount of the Fund's total loan portfolio.

- *"Eginzhay"*: This programme was introduced in 2010 and aims at financing the sowing and harvesting of various crops. Loans are issued for a period up to 3 years at an annual interest rate of 9.5%. The amount of these loans vary from KZT one to KZT six million and requires collateral in the form of liquid assets. In 2013, 321 loans were issued for an amount of KZT 991 million. These funds provided employment for 1,055 people and the sowing of 180,347 hectares of cultivated land. As at 31 December 2013, the aggregate principal amount outstanding of loans to micro-credit organisations was KZT 1.1 billion, and accounted for 3% of the aggregate amount of the Fund's total loan portfolio.

- *Lending to micro-credit organisations*: The Fund provides loans in principal amounts between KZT 5 million and KZT 350 million to micro-credit organisations, including, as at the date of this Base Prospectus, 14 micro-credit organisations in which the Fund owns a minority stake, for the purposes of on-lending to the rural population. Such loans have terms of up to 72 months and bear interest at an annual rate of 7.5 %. As at 31 December 2013, the aggregate principal amount outstanding of loans to micro-credit organisations was KZT 3.3 billion, and accounted for 8.8 % of the aggregate amount of the Fund's total loan portfolio.

- *"Murabaha":* In 2011, the Fund entered into a loan agreement with the Islamic Development Bank for a total amount of U.S.$. 10 million (KZT 1,536.1 million). These funds are directed to micro financing of the economically active rural population in Kazakhstan. This programme was launched in 2012. In accordance with the loan agreement, microloans are granted for a maximum amount of U.S.$. 25,000 (KZT 3,840.3 thousand) for a period up to 48 months with an annual interest rate of no more than 9.5 %. As at 31 December 2013, the aggregate principal amount outstanding of loans to micro-credit organisations was KZT 1.3 billion, and accounted for 3.4% of the aggregate amount of the Fund's total loan portfolio.

Funding Sources

The Fund's micro- lending activities are generally funded using: (i) amounts contributed to the Fund's share capital, historically directly out of the State Budget and, since the establishment of the Group, by the Company; (ii) amounts provided from the State Budget and by the National Fund to the Company and on-lent to the Fund; (iii) debt financing, including the proceeds received under loans with credit institutions; (iv) funds allocated by local authorities for mortgage loans extended within the "To Village with Diploma" project; and (v) the Fund's own funds. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to the Government*" and "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts Due to Credit Institutions*".

Competition

As at the date of this Base Prospectus, the Fund has no competitors.

Regulation

The Fund holds a banking licence (licence No.17 dated 14 March 2006) granted by the FMSC, a sub-division of the NBK, and is subject to regulation by the FMSC. As at the date of this Base Prospectus, the Company believes that the Fund is in compliance with all material requirements under its banking licence or otherwise applicable to it pursuant to relevant FMSC rules and regulations.

Other Subsidiaries

As at the date of this Base Prospectus, the Company's other subsidiaries include the following:

KazAgroProduct

KazAgroProduct is responsible for the development of the production of livestock products and the promotion of the export of such products. In particular, its main activities are to:

- purchase and process meat, milk, wood and animal skins and hides;
- provide finance leasing of breeding stock and slaughtering, feeding and breeding facilities;
- supply processed products of animal origin for both the domestic market and for export; and
- implement high-tech investment projects aimed at developing the livestock industry.

KazAgroProduct's head office is located in Astana. KazAgroProduct has three subsidiaries and two representative offices in Kazakhstan, as well as one representative office in the Russian Federation. As at 31 December 2013, KazAgroProduct had assets of KZT 18.2 billion and charter capital of KZT 22.6 billion. As at 31 December 2013, KazAgroProduct had 74 employees. As a result of the Customs Union or Single Economic Space enacted into law by Kazakhstan, Russia and Belarus, the level of fresh meat exports has increased.

KazAgroMarketing

KazAgroMarketing provides information and marketing support to Kazakhstan's agricultural sector. In particular, its main activities are to:

- provide information and consultation support to agribusinesses;
- undertake analytical and marketing research and monitor the price of agricultural and food markets;
- host exhibitions, business forums and conferences;
- support the development of agribusinesses' information systems; and
- provide administrative support to the Government in respect of the Government's compulsory insurance for crop production.

Since 2012, KazAgroMarketing has acted as an agent in the management of State Budget funds allocated to support compulsory crop insurance and as a facilitator between private insurers and agricultural businesses to develop this insurance product. In order to promote the development of appropriate insurance products that cover crop growing and harvesting, the State has undertaken to support private insurers in providing appropriate coverage through the reimbursement of 50% of certain claims made. KazAgroMarketing's responsibilities in this regard comprise principally the collection of information, including, in particular, through site inspections, for the purposes of assessing claims made against private insurers in order to determine required levels of reimbursement due from the State. As agent, KazAgroMarketing does not bear risk under the insurance it arranges or manages, but instead only pays out claims using State-provided funds.

KazAgroMarketing charges its customers fees for certain of its services, although other services are provided to its customers free of charge. The services, which are provided free of charge, primarily comprise customer support and advisory services which are funded by the State.

KazAgroMarketing's head office is located in Astana and, as at the date of this Base Prospectus, it has 13 branches, two representative offices and 160 rural information and consultation centres located across Kazakhstan. As at the date of this Base Prospectus, KazAgroMarketing has no subsidiaries.

As at 31 December 2013, KazAgroMarketing had assets of KZT 1.8 billion and share capital of KZT 1.9 billion. As at 31 December 2013, KazAgroMarketing had 293 employees.

KazAgroGarant

KazAgroGarant provides guarantees to owners of grain in respect of the performance obligations of domestic grain storage facilities for the grain that they store. KazAgroGarant is also authorised to guarantee the performance obligations of cotton-processing facilities, although it has not historically issued guarantees relating to cotton activities.

KazAgroGarant charges fees of KZT 60 per tonne if no collateral is provided and fees of KZT 30 per tonne for guaranteeing grain if collateral is provided. As at 31 December 2013, KazAgroGarant had guarantees outstanding covering 561.3 tonnes of grain.

KazAgroGarant's head office is located in Astana and it has four representative offices located in the Northern region (Petropavlosk), the Kostanai Oblast (Kostanai), the Akmolinskaya Oblast (Koshetau) and the Southern Region (Shymkent). As at the date of this Base Prospectus, KazAgroGarant has no subsidiaries and four representative offices.

As at 31 December 2013, KazAgroGarant had assets of KZT 4,196 million and share capital of KZT 2,711,000 thousand. As at 31 December 2013, KazAgroGarant had 18 employees.

Employees

The following table sets forth certain information regarding the Group's employees as at the dates indicated:

	As at 31 December		
	2013	2012	2011
		(number of employees)	
Company	92	92	95
FCC	198	266	272
KazAgroFinance	412	357	352
ACC	271	251	248
The Fund	361	299	301
KazAgroProduct	74	84	87
KazAgroMarketing	293	311	313
KazAgroGarant	18	19	19
Total Group employees	**1,719**	**1,679**	**1,687**

Employees of the Company and its subsidiaries are remunerated by salaries and bonuses. The Group does not currently have plans to increase or decrease significantly the total number of employees within the Group.

The Group does not provide or contribute to any private pension plans. As part of its employee incentive and retention strategy, the Group pays for medical insurance for certain employees, particularly for high-performing employees. The Group also awards employees discretionary performance-related bonuses on a monthly basis.

The Company and its subsidiaries are committed to talent management through the provision of career progression for all employees and training to upgrade the level of the professional skills and knowledge of their personnel with a view to ensuring the availability of qualified personnel to implement their strategic objectives. Various businesses within the Group conduct team-building exercises and key employees within the Group regularly attend a wide range of specialised training seminars organised by professional institutions. In addition, employees also participate in internally-run advanced training courses across a range of specialised and applicable topics.

Certain employees within the Group are members of unions and further employees are expected to join unions in the future, although there are currently no collective bargaining agreements in place with any union. The Group has not experienced any labour disputes in recent history.

Technology

The Company and its subsidiaries each maintain separate IT systems with different platforms and software reflecting the different business lines within the Group. The Company and its subsidiaries source their software from various Russian and Kazakh providers. Currently, data is backed up at separate servers, which can be accessed remotely, however, the Group does not have a separate disaster recovery platform or specialised security platform. In 2012, the Company conducted a review of its IT systems and has approved a plan to upgrade the software and hardware within the Group. The Company has begun to implement the plan, which is due to be completed by 2017. Approximately KZT 300 million has been budgeted for the upgrades required under the plan.

Pursuant to this plan, the Company intends to implement an integrated data repository, various systems for budgeting and planning as well as for the consolidation of the Group's financial statements. The Company also intends to implement a system to enable online loan applications by customers.

Credit ratings

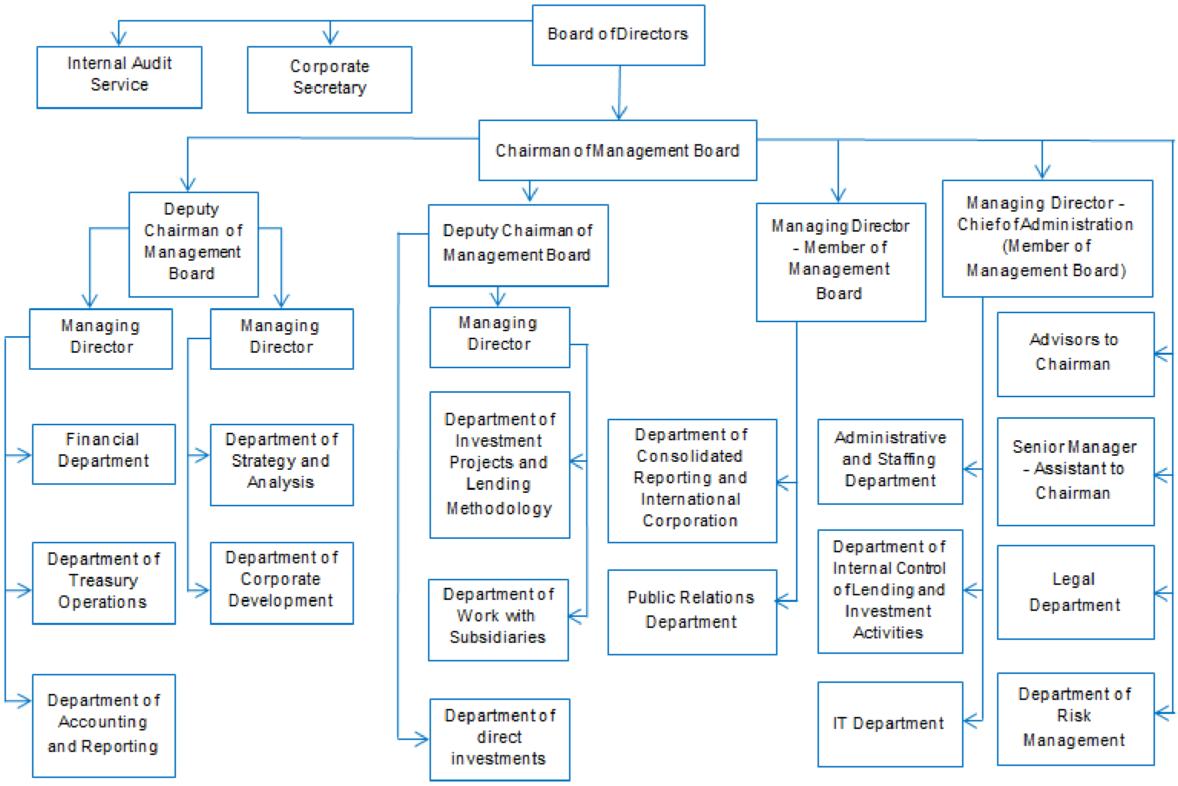
The Company is rated by S&P and Fitch and its credit ratings are as follows:

Rating Agency	Tenor	Rating	Outlook
S&P	Foreign Long Term Rating	BBB+	Stable
	Local Long Term Rating	BBB+	Stable
	Foreign Short Term Rating	A-2	—
	Long Short Term Rating	A-2	—
Fitch	Foreign Long Term Rating	BBB	Rating Watch Negative
	Local Long Term Rating	BBB+	Rating Watch Negative
	Foreign Short Term Rating	F3	—

A credit rating is not a recommendation by the rating organisation or any other person to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning rating organisation and each should be evaluated independently from the other. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

MANAGEMENT

The following organisation chart sets forth the management reporting lines and principal business units of the Company as at the date of this Base Prospectus:



General

The Company's charter ("**Charter**") provides for the following corporate governing bodies:

- the sole shareholder (the State, acting through the Ministry of Agriculture), which, among other matters, appoints the chairman of the Company's Management Board;
- the Company's Board of Directors, which is responsible for the general management of the Company and the approval of the Company's business priorities and strategic plans within its competence;
- the Company's Management Board, which is responsible for the day-to-day management and administration of the Company; and
- the Internal Audit Service, which is responsible for the internal control of the Company's financial and operational activities and reports to the Company's Board of Directors.

The Board of Directors

The Board of Directors is responsible for the general management of the Company's activities, except for those matters that, in accordance with applicable laws or the Charter, are reserved to the exclusive competence of the sole shareholder or delegated to the Company's Management Board. In accordance with the Charter, the following matters, among others, fall within the exclusive competence of the Board of Directors:

- determining the priority areas of the Company's activities, in line with its strategy (see "Business—Strategy") and forming a single financial, investment, industrial, economic, scientific and technical policy for the Company's subsidiaries when compiling their strategies and development plans;
- adopting decisions to convene annual and extraordinary general meetings of the sole shareholder;
- adopting decisions on any redemption by the Company of its outstanding shares or other securities and the applicable redemption price;
- preliminary approval of the Company's annual financial statements;
- submitting proposals to the sole shareholder with respect to the procedure for distributing the Company's net income for the last financial year and the amount of dividends to be paid for the year per common share;
- determining the conditions and adoption of decision for the Company's bond and derivative securities issues;
- determining the number of members and the term of the Company's Management Board, electing members of the Company's Management Board and the early removal of their powers (except for the Chairman of the Company's Management Board, who is elected by the sole shareholder on the recommendation of the Government);
- determining the salaries and other conditions for remuneration and bonuses to be paid to the Chairman and members of the Company's Management Board;
- determining the number of members and term of the Internal Audit Service, appointing its managers and members and the early termination of their powers;
- establishing and monitoring compliance by the Company with internal control procedures and approving the annual work plans of the Internal Audit Service;
- determining the work procedure of the Internal Audit Service, its competence and functions, the amount and conditions of remuneration and bonuses for Internal Audit Service employees;
- approving qualification requirements for Internal Audit Service employees, adopting decisions on the imposition of disciplinary sanctions on such employees and approving the regulation on the Internal Audit Service;
- determining the remuneration for the services provided by the Company's auditors, as well as any appraiser appointed to assess the market value of property that is used as payment for the Company's shares or is the subject of a "major transaction" (as defined under applicable Kazakhstan law);
- adopting decisions on the establishment of committees under the Company's Board of Directors, determining the procedure for their formation, work, members, activities and powers, and approving regulations concerning such committees;
- adopting decisions on the Company's purchase of 10% or more shares (or participatory interest in share capital) in other legal entities;
- increasing the Company's liabilities to an amount comprising 10% or more of its own equity capital;
- adopting decisions on the conclusion of major transactions and transactions in which the Company has an interest;
- approving the Company's development plan, as well as reports with respect to its implementation;
- assessing the implementation of the Company's development plan;
- approving the Company's budget and any amendments and additions to the budget;
- approving the Company's staff numbers; and

- determining the Company's risk management policy.

In accordance with applicable law and the Company's Charter, the Board of Directors is not entitled to adopt decisions on matters that fall within the competence of the Company's Management Board; nor may it adopt decisions that contradict the decisions adopted by the general meeting of the sole shareholder.

The Board of Directors also:

- monitors and, if possible, eliminates potential conflicts of interests of officials and the sole shareholder, including any misuse of the Company's property and abuse when completing interested party transactions; and

- controls the effectiveness of the Company's corporate governance.

The Company's senior management also participates in Government meetings (including with the Prime Minister of Kazakhstan, the First Deputy Prime Minister of Kazakhstan, who is responsible for the agricultural sector, and the Minister of Agriculture) on matters concerning the development of the country's agricultural sector, as well as State and inter-agency commissions on matters concerning the modernisation of the economy.

The current composition of the Board of Directors was approved by a decision of the Company's sole shareholder (Order of the Ministry of Agriculture dated 20 February 2013 No. 10-1/89) based on the relevant resolution of the Government. In accordance with article 181 of the Law of the Republic of Kazakhstan dated 1 March 2011 "On State Property", the board of directors of the national management holdings is required to include representatives of the authorised agency for state planning, the authorised agency for state property, the authorised agency for the relevant industry and other state agencies based on the decision of the Government.

As at the date of this Base Prospectus, the members of the Board of Directors are:

Name	**Other Positions**	**Date Appointed**
Bakhytzhan A. Sagintayev (Chairman of the Board of Directors)	First Deputy Prime Minister of Kazakhstan	22 February 2013
Asylzhan S. Mamytbekov	Minister of Agriculture of Kazakhstan	11 November 2008
Bolat B. Zhamishev	Minister of Regional Development of Kazakhstan	6 November 2013
Marat A. Kusainov	Vice-minister of Economy and Budget Planning of Kazakhstan	20 February 2013
Dulat N. Aitzhanov (Chairman of the Management Board of the Company)		12 September 2012
Giorgio Ponzi (independent director)	General Director of Agrotecnica S.r.l., Italy	31 January 2011
Vasily S. Rozinov (independent director)	General Director of LLP Ivolga Holding	11 November 2008
Andreas Gramtsov (independent director)	Consulting at the GFA Consulting Group Asia Department	13 March 2012

The business address of the members of the Board of Directors is 24 Republic Avenue, Astana, Republic of Kazakhstan.

Summary biographical information regarding each member of the Board of Directors is set out below:

Bakhytzhan A. Sagintayev Mr Sagintayev graduated from Kazakh State University in 1985 with a degree in Economics. Mr Sagintayev also served as a Minister for the Ministry of Economic Development and Trade of Kazakhstan from January 2012 to September 2012. Since January 2013, he has served as First Deputy Prime Minister of Kazakhstan—Minister of Regional Development of Kazakhstan. Mr Sagintayev is Chairman of the Board of Directors and has been a member of the Board of Directors since 22 February 2013.

Asylzhan S Mamytbekov graduated from the Kazakh State Academy of Management in 1996 with a degree in Economics. From 2000 to 2003, Mr Mamytbekov held the position of Head of Regional Treasury Department of Kazakhstan's Kostanay region. From 2003 to 2004, he was Deputy Mayor of the Kostanay Region. From 2004 to 2006, he was the Deputy Mayor of Astana City. From 2006 to 2007, Mr Mamytbekov was the Deputy Mayor of South Kazakhstan. From 2007 to 2008, he held the position of Deputy Head of the Chancellery of the Prime Minister of Kazakhstan. From 2008 to April 2011, Mr Mamytbekov served as Chairman of the Company's Management Board. Since April 2011, he has been the Minister of Agriculture of Kazakhstan. Mr Mamytbekov has been a member of the Board of Directors since 11 November 2008.

Bolat B. Zhamishev graduated from the Kazakh Agricultural Institute in 1981 with a degree in Economics. From 1997 to 1999, Mr Zhamishev held the position of Vice-Minister of the Ministry of Labour and Social Protection of Kazakhstan. From 1999 to 2001, Mr Zhamishev served as Vice-Minister and then First Vice-Minister of the Ministry of Finance of Kazakhstan. From 2001 to 2002, he served as Vice-Minister at the Ministry of Internal Affairs of Kazakhstan. From 2002 to 2003, Mr Zhamishev served as Vice-Minister and then First Vice-Minister of the Ministry of Finance of Kazakhstan. From 2003 to 2004, Mr Zhamishev held the position of Deputy Governor of the NBK and, from 2004 to 2006, he served as Chairman of the FMSC. From 2007 to 2013, he served as the Minister of Finance of Kazakhstan. Since 2013 he has served as the Minister of Regional Development of Kazakhstan. Mr Zhamishev has been a member of the Board of Directors since 11 November 2008.

Marat A. Kusainov graduated from Almaty State University in 1988 with a degree in Economics. He began his professional career in 1988 in the office of the Mayor of Kyzylorda and, from 1997, worked in the Office of the Prime Minister of Kazakhstan as a consultant. From 2000 to 2002, Mr Kusainov served as the Deputy Director and Director of Social and Economic Analysis of the Agency of Strategic Planning of Kazakhstan. From 2002 to 2006, he served as Director of the Department Director at the Ministry of Economy and Budget Planning of Kazakhstan and, from 2006 to 2010, as Vice-Minister of the Ministry of Economy and Budget Planning of Kazakhstan. From 2010 to 2013, Mr Kusainov served as Vice-Minister of Economic Development and Trade of Kazakhstan. Since January 2013, he has served as Vice-Minister of the Ministry of Economy and Budget Planning of Kazakhstan. Mr Kusainov has been a member of the Board of Directors since 20 February 2013.

Dulat N. Aitzhanov graduated from Almaty State University in 1997 with a degree in Jurisprudence. In 1999, he held executive positions at the Ministry of Agriculture. From 1999 to 2002, he worked in a number of executive roles at the Fund and KazAgroFinance, before returning to the Ministry of Agriculture from 2002 to 2008. Since September 2012, Mr Aitzhanov has acted as Chairman of the Company's Management Board of Directors. He is also the Chairman of the board of directors of FCC, the Chairman of the board of directors of KazAgroFinance and the Chairman of the board of directors of ACC. Mr Aitzhanov has been a member of the Board of Directors since 12 September 2012.

Giorgio Ponzi graduated from Bologna University in 1972 with a Doctorate in Engineering Science. In 1984, he operated a business in Russia, supplying equipment for public food service establishments. Mr Ponzi began working in the agriculture industry in 1989 and now owns the Italian agricultural company Agrotecnica S.r.l, of which he is currently the General Director. Agrotecnica S.r.l has several resident subdivisions in the Russian Federation and CIS countries. Mr Ponzi has served as advisor to the Minister of Agriculture of the Russian Federation on the implementation of new technologies since 1991. Mr Ponzi has been a member of the Board of Directors since 31 January 2011.

Vasily S. Rosinov graduated from Kustanaisky Agricultural Institute in 1977 with a degree in Agriculture. He has served as Director of TOO "Ivolga Holding" since 1992. Mr Rosinov has been a member of the Board of Directors since 11 November 2008.

Andreas Gramtsov graduated from the Martin Luther University in Halle-Saale (Germany) in 2004 with a Doctorate degree in Agricultural-Economics. From 2004 to 2008, Mr Gramtsov held the position of Agricultural Economist at the Agricultural Economist Institute of Agricultural Development in Central and Eastern Europe. From 2006 to 2007, Mr Gramtsov served as Agricultural Economist at the Research Institute of International Crops and, from 2008 to 2010, he served as a consultant at GFA Consulting Group. Mr Gramtsov served as a research associate in the field of agricultural policy and economics and was the team leader and political advisor of the "Kazakh-German Agricultural Policy

Dialogue from 2010 to 2013". Mr Gramtsov has been a member of the Company's Board of Directors since 13 March 2012.

The Company's Management Board

In accordance with the Law of the Republic of Kazakhstan "On Joint-Stock Companies" (the "**JSC Law**") and the Company's Charter, the Company's Management Board is the executive body of the Company. The competencies and powers of the Company's Management Board are set out in the Company's Charter and they include the day-to-day management of the Company's activities.

As at the date of this Base Prospectus, the members of the Company's Management Board are:

Name	Other Positions	Date Appointed
Dulat N. Aitzhanov (Chairman)	Member of the Board of Directors	12 September 2012
Dauren S. Makhazhanov	Deputy Chairman (responsible for finance, treasury, accounting, corporate developments and strategy and analysis)	23 October 2012
Kairat Aituganov	Deputy Chairman (responsible for direct investments, subsidiaries, investment projects and credit methodology)	23 December 2013
Liliya S. Musina	Managing Director	25 January 2007
Tobylbek E. Omarov	Managing Director and Chief of Administration	19 November 2012

The business address of the members of the Company's Management Board is the registered office of the Company, namely 24 Republic Avenue, Astana, Republic of Kazakhstan.

Summary biographical information regarding each member of the Company's Management Board is set out below:

Dulat N. Aitzhanov: see *"—The Board of Directors"*.

Dauren S. Makhazhanov graduated from Abay Myrzakhmetov University, Kokshetau in 2006 with a Masters in Finance. From 2001 to 2004, he worked in various executive roles at Kazkommertsbank JSC; from 2004 to 2007 he worked in a number of executive roles at ATF Bank JSC; and, from 2007 to 2008 he worked at Alliance Bank JSC. Mr Makhazhanov has served as Deputy Chairman of the Company's Management Board (responsible for finance, accounting, credit, working with subsidiaries and information technology) since 23 October 2012.

Kairat K. Aituganov graduated from the Kazakh National Agrarian University as a Doctor of economic science in 2010. From 2007, he worked as a Department Director, Finance Director and Deputy Chairman of National Company SPK Ontustik. From 2011 to 2012, he worked as a Deputy Chairman of the Management Board in National Holding KazAgro; and from 2012 until 23 December 2013, he worked as a Deputy Mayor of the Karaganda region. Mr Aituganov changed workplace and became the Deputy Chairman of the Management Board, responsible for direct investments, subsidiaries, investment projects and credit methodology of the National Management Holding KazAgro.

Liliya S. Musina graduated from the Moscow Economics and Statistics Institute in 1978 with a degree in Economics. Prior to joining the Company, Ms Musina held executive positions at the Administration of the President of Kazakhstan and the local Government authority of the Pavlodar region and Pavlodar City. Ms Musina served as Deputy Chairman of the Company's Management Board (responsible for combined analytical information, international cooperation, strategy and corporate development) between 25 January 2007 and 26 December 2013, at which point she was appointed as a Managing Director.

Tobylbek E. Omarov graduated from the Almaty branch of Zhambyl Technological Institute of Light Industry and Food in 1986 with a degree in Process Engineering. From 1988 to 1997, Mr Omarov held a number of positions at

"Melokombinat" JSC, and then, from 1997 to 1998, at "Tobol grain elevator" JSC. From 1999 to 2004, he was Deputy Mayor of the Kostanay Region. From 2004 to 2005, Mr Omarov worked at "Grain company Kostanaiastykonimderi". From 2005 to 2009, Mr Omarov held executive positions at the Ministry of Agriculture. From 2010 to 2012, Mr Omarov served as advisor to the Chairman of the Company. Mr Omarov has served as Managing Director and Chief of Administration of the Company and has been a member of the Company's Management Board since 19 November 2012.

Chairman of the Company's Management Board

In accordance with the Company's Charter, the Chairman of the Company's Management Board shall be elected by the sole shareholder and shall be recommended for election by the Government.

In accordance with the JSC Law and the Company's Charter, the Chairman of the Company's Management Board is responsible for, among other matters, implementation of the decisions adopted by the general meeting of the Company's sole shareholder and the Board of Directors.

Corporate Governance

The Company's Code of Corporate Governance, which was adopted by the Order of the Ministry of Agriculture No. 265 dated 15 April 2010, is constructed, among others, upon the following principles:

- protection of the rights and interests of the sole shareholder;
- efficient management of the Company by the Board of Directors and the Company's Management Board;
- transparency and accurate disclosure of information in relation to the Company's activities;
- compliance with laws and ethical standards;
- protection of environment;
- regulation of corporate conflicts and conflicts of interest; and
- responsibility.

Three members of the Board of Directors are independent directors, which is higher than the minimum number of independent directors required by the JSC Law. These directors are appointed by the sole shareholder of the Company.

Board Committees

As at the date of this Base Prospectus, the Board of Directors has the following committees:

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established to make recommendations to the Board of Directors regarding human resources management, employee motivation policies and remuneration of the employees appointed by the resolution of the Board of Directors.

As at the date of this Base Prospectus, the members of the Nomination and Remuneration Committee are Giorgio Ponzi (Chairman and independent director), Asylzhan S. Mamytbekov and Vassiliy S. Rozinov.

Social Affairs Committee

The Social Affairs Committee was established to make recommendations to the Board of Directors with the objective of increasing efficiency at the Company and recognizing its social responsibilities.

As at the date of this Base Prospectus, the members of the Nomination and Remuneration Committee are Andreas Gramtsov (Chairman and independent director), Asylzhan S. Mamytbekov, Dulat N. Aitzhanov and Ibadullayev S. Abdulla.

Strategic Planning Committee

The Strategic and Planning Committee was established to make recommendations to the Board of Directors regarding the strategy of the Company.

As at the date of this Base Prospectus, the members of the Strategic Planning Committee are Vasily S. Rozinov (Chairman and independent director), Marat A. Kusainov, Asylzhan S. Mamytbekov, Dulat N. Aitzhanov and Alapmys A. Omarov.

Internal Audit Committee

The Internal Audit Committee was established to facilitate the monitoring of the Company's financial and economic activities and to ensure that there is an adequate system of internal control and risk management in operation. The Internal Audit Committee is responsible for the promotion and strengthening of the Company's internal and external audit functions.

As at the date of this Base Prospectus, the members of the Internal Audit Committee are Andreas Gramtsov (Chairman and independent director), Bolat B. Zhamishev, Dulat N. Aitzhanov and Tanzila Abdilmanova (Secretary).

Internal Audit Service

The Internal Audit Service assists the Company's Board of Directors and the Company's Management Board. Members of the Internal Audit Service are appointed by the Company's Board of Directors. The Head of the Internal Audit Service is appointed by the Company's Board of Directors with the prior approval of the Audit Committee and Nomination and Remuneration Committee. The Head of the Internal Audit Service has the right to convene an extraordinary meeting of the Company's Board of Directors or the Audit Committee on issues within the ambit of the Internal Audit Service.

The Internal Audit Service annually audits the Group's risk management processes to examine their adequacy and the Group's compliance with the established risk policies, procedures and limits. The Group's Internal Audit Service provides the results of its audits to the Management of the Company for its information and reports its findings and recommendations directly to the Company's Board of Directors. The Company's Internal Audit Service, together with the Risk Management Department and Department for Internal Monitoring of Credit and Investment Activity, are responsible for continually monitoring the Group's compliance with legislation, as well as internal decrees of the Company.

As at the date of this Base Prospectus, the current Head of the Internal Audit Service is Tanzila Abdilmanova.

Management Remuneration

Determination of the amounts and terms of remuneration (including salaries, bonuses and other benefits) for the Chairman and the members of the Company's Management Board are determined by the Board of Directors by reference to the regulations adopted by the Board of Directors on 18 July 2008 in accordance with Resolution No.558 of the Government dated 10 June 2008 on Approval of Sample Regulation on Salaries, Bonuses and Social Security for Executive Personnel of National Companies, Joint Stock Companies, where Controlling Stakes Belong to the State.

Similar regulations on salaries for members of the Company's Management Board and employees are applied in the Company's subsidiaries.

No annual performance bonuses were paid to the Chairman or members of the Company's Management Board or the members of the Company's Subsidiaries' boards for any of the years ended 31 December 2013, 2012 or 2011. As at 31 December 2013, there were no outstanding loans or guarantees granted by the Company to any member of the Board of Directors or the Company's Management Board or to any parties related to them. See *"Share Capital, Sole Shareholder and Related Party Transactions—Related Party Transactions—Transactions with the Board of Directors and the Company's Management Board"*.

Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the Board of Directors and the Company's Management Board towards the Company and their private interests or other duties.

Management of FCC

Board of Directors of FCC

As at the date of this Base Prospectus, the members of FCC's board of directors are:

Name	Other Positions	Date Appointed
Dulat N. Aitzhanov (Chairman of the FCC Board of Directors)	Chairman of the Management Board of the Company	2 October 2012
Dauren S. Makhazhanov	Deputy Chairman of the Management Board of the Company	31 October 2012
Ivan A. Sauer (independent director)	General Director of "Rodina Agrofirma" LLP	25 February 2011
Auyezkhan K. Darinov (independent director)	—	26 February 2014

Summary biographical information regarding each member of the board of directors of FCC is set out below:

Dulat N. Aitzhanov: see "—*The Company's Board of Directors*".

Dauren S. Makhazhavnov: see "—*The Company's Management Board*".

Ivan A. Sauer graduated from the Tselinograd Agricultural Institute in 1980 with a degree in Agricultural Production. From 1985 to 1987, Mr Sauer served as Chief Engineer at the farm "Red Flag". Since 1987, Mr Sauer has served as General Director of "Rodina Agrofirma" LLP. Mr Sauer has been a member of the board of directors of FCC since 25 February 2011.

Auyezkhan K. Darinov graduated from the Tselinograd Agricultural Institute in 1982. From 2003 to 2008, he served as Vice President of Farmers' Union of Kazakhstan. From 2005 to 2006 he served as acting Chairman of SDK-INSURANCE Mutual Insurance Company. Mr. Darinov serves as President of Farmers' Union of Kazakhstan and Chairman of SDK-INSURANCE since 1 January 2009. Mr. Darinov has been a member of the board of directors of FCC since 26 February 2014

Management Board of FCC

As at the date of this Base Prospectus, the members of the management board of FCC are:

Name	Positions	Date Appointed
Rakhmet G. Bainakov	Deputy Chairman	1 April 2011
Zhaleliden B. Smagulov	Deputy Chairman	22 November 2012
Aidar Shaken	Deputy Chairman	28 December 2012
Nurbek S. Dairbekov	Managing Director	12 November 2012

Summary biographical information regarding each member of the management board of FCC is set out below:

Rakhmet G. Bainakov graduated from the Institute of International Management in Flensburg in 1999 with a Masters in Economics. From 2004 to 2007, he served as Director of State Borrowing and International Financial Relationships at the Ministry of Finance of Kazakhstan. From 2007 to 2011, Mr Bainakov served as Managing Director and Board member of FCC. Mr Bainakov has been a member of the management board of FCC since 1 April 2011 and has held the position of Deputy Chairman of FCC since 31 March 2011.

Zhaleliden B. Smagulov graduated from the Almaty Institute of National Economy in 1991 with a degree in Economics. From 2003 to 2008, he served as Deputy Director of Administration Management and State Purchasing and, from 2008 to 2010, he served as Director of Staff and Administration Management at the Ministry of Transport and Communications of Kazakhstan. From May 2011 to July 2011, Mr Smagulov served as Deputy Chairman of JSC National Company Social-Business Company Saryarka and, from July 2011 to January 2012, he served as Head of the Department of Public Agency "Department on Distribution of One-Time Coupons in Kazakhstan's Karaganda region". From January 2012 to November 2012, Mr Smagulov served as Head of the Department of Public Agency Economics and Budget Planning Administration in Kazakhstan's Karaganda region. Mr Smagulov has been a member of the management board of FCC since 22 November 2012 and has held the position of Deputy Chairman of FCC since 20 November 2012.

Aidar Shaken graduated from Kazakh State University of International Relations and World Languages in 2003 with a degree in International Law. From 2009 to 2010, he served as advisor to the Director of Legal Groundwork at the "Central Asian Investment Consulting Company" LLP. From 2010 to 2011, Mr Shaken served as Deputy General Director of JSC "Temirtau Electrometallurgy Plant" and, from 2011 to 2012, Mr Shaken served as Deputy Chairman of JSC "National Company Social-Business Company Saryarka". Mr Shaken has been a member of the management board of FCC since 27 December 2012.

Nurbek S. Dairbekov graduated from the Kazakhstan Institute of Management, Economics and Strategic Research under the President of the Republic of Kazakhstan in 1996 with a Masters in Business Administration. From 2006 to 2009, Mr Daibekov served as General Director of Kazakhstan Grain Company LLP. From 2009 to 2012, he served as a Director at "Green Energy Almaty". Mr Dairbekov has been a member of the management board of FCC since 20 November 2012.

Management of KazAgroFinance

Board of Directors of KazAgroFinance

As at the date of this Base Prospectus, the members of KazAgroFinance's Board of Directors are:

Name	Other Positions	Date Appointed
Dulat N. Aitzhanov (Chairman of the KazAgroFinance Board of Directors)	Chairman of Company	4 October 2012
Dauren S. Makhazhanov	Vice-Chairman of Company	27 December 2012
Gumar T. Rakhimzhanov (Chairman of the Management Board)	—	19 December 2012
Almat T. Mendebayev (independent director)	Director for strategic development of Smart Com LLP, Chairman of Board of Directors of IBS Group	28 April 2014
Ruslan K. Khussayinov (independent director)	Chairman of Management Board of Kazakhstan Housing Corporation JSC	28 April 2014

Summary biographical information regarding each member of the board of directors of KazAgroFinance is set out below:

Dulat N. Aitzhanov: "—*The Board of Directors*".

Dauren S. Makhazhanov: see "—*The Company's Management Board*".

Gumar T. Rakhimzhanov graduated from Karaganda State University in 1993 with a degree in Jurisprudence. From 2002 to May 2012, Mr Rakhimzhanov held various executive positions at the Ministry of Transport and Communications of Kazakhstan, the Republican State Enterprise Aktauskiy International Sea Trading Port, the National Company Kazakhstan Temir Zholy JSC, Kazakhstantemirtrans JSC, KazAvtoTrans JSC, and National Company Social and Entrepreneur Corporation Saryarka JSC. Mr Rakhimzhanov has been a member of the Board of Directors of KazAgroFinance since 19 December 2012.

Almat T. Mendebayev graduated from the State Academy of Management named after Sergo Ordzhonikidze (Order of the Red Banner of Labour) in 1991 with a degree in Management engineering in metal industry and was qualified as Engineer-economist. He held various executive positions at Tokrau LLP, IBS Ltd LLP, IBS Group LLP, Smart Com LLP, BASS Technology LLP. Since 2011 till present he has been as a Director for strategic development of Smart Com LLP and since 2008 till present he has been as Chairman of the Board of Directors at IBS Group LLP. Mr. Mendebayev has been elected to the Board of Directors of KazAgroFinance JSC as an Independent Director since 28 April 2014.

Ruslan K. Khussayinov graduated from the Almaty Institute of Technology in 1991 with a degree in Economics and Management. He held various executive positions at Novoshumnoye LLP, Agroservice LLP, 31 Channel TV Radio Company LLP, Asia Story LLP, Ush Konyr BN LLP, Matai Group LLP, SPK Tobol National Company, National Company Social and Entrepreneur Corporation Saryarka JSC, Kazakhstan Fund for Mortgage Loans Guarantee JSC and Kazakhstan Housing Corporation JSC. Since September 2013 till present he has been as a Chairman of Management Board of Kazakhstan Housing Corporation JSC. Mr. Khussayinov has been elected to the Board of Directors of KazAgroFinance JSC as an Independent Director since 28 April 2014.

Management Board of KazAgroFinance

As at the date of this Base Prospectus, the members of the Management Board of KazAgroFinance are:

Name	**Other Positions**	**Date Appointed**
Gumar T. Rakhimzhanov (Chairman)	Member of the Board of Directors of KazAgroFinance	9 October 2012
Asylkhan B. Dzhuvashev	Deputy Chairman	13 May 2011
Baurzhan L. Zhaniyazov	Deputy Chairman	15 November 2012
Baurzhan K. Bishenov	Director of Legal Department	1 April 2013
Gulnaz T. Atamkulova	First Deputy Chairman	7 April 2014

Summary biographical information regarding each member of the Management Board of KazAgroFinance is set out below:

Gumar T. Rakhimzhanov: see "*—Board of Directors of KazAgroFinance*".

Asylkhan B. Dzhuvashev graduated from Kazakh Economic University in 2002 with a degree in Finance and Credit. Prior to joining KazAgroFinance, from 2002 to 2009, Mr Dzhuvashev held executive positions at ATF Bank JSC. Mr Dzhuvashev has been a member of the Management Board of KazAgroFinance since 13 May 2011.

Baurzhan L. Zhaniyazov graduated from the Taldykorgan Law Institute in 1999 with a degree in Jurisprudence. From 2010 to 2012, Mr. Zhaniyasov held various executive positions at KazStroyService BBN LLP and National Company Social and Entrepreneur Company Saryarka JSC. Mr Zhaniyasov has been a member of the Management Board of KazAgroFinance since 15 November 2012.

Baurzhan K. Bishenov graduated from Kazakh University of Humanities and Law in 2004 with a degree in Law. From 2008 to 2012, Mr. Bishenov held executive roles at Passazhirskie Perevozki JSC. Since November 2012 he has served as the Director of Legal Department of KazAgroFinance. Mr Bishenov has been a member of the Management Board of KazAgroFinance since 1 April 2013.

Gulnaz T. Atamkulova graduated from Kazakh State University in 1991 with a degree in Philosophy and later from the Eurasian Institute of Market under Kazakh State Academy of Public Administration in 1998 with a degree in Finance and Credit. She held various executive positions at the Registrar LLP, Central-Asian Trust Company JSC, National Management Holding KazAgro, Fund for the Financial Support of Agriculture JSC and Agrarian Credit Corporation JSC. From 2 September 2013 until present she has been positioned as a Counselor to the Chairman of the Board of KazAgroFinance. Ms Atamkulova has been a member of the Management Board of KazAgroFinance since 27 September 2013. Since 7 April 2014, she has also been First Deputy Chairman of the board of FCC.

Management of ACC

Board of Directors of ACC

As at the date of this Base Prospectus, the members of ACC's board of directors are:

Name	**Other Positions**	**Date Appointed**
Dulat N. Aitzhanov (Chairman of the ACC Board of Directors)	Chairman of the Management Board of the Company	6 October 2012
Dauren S. Makhazhanov	Deputy Chairman of the Management Board of the Company	27 December 2012
Nurlybek T. Malelov (Chairman of the Management Board ACC)	—	14 November 2012
Sagadat K. Ashebekov (independent director)	Chairman of the Management Board of LLP Credit Partnership Tselinogradskoye	14 November 2012
Akzhol A. Abdukalimov (independent director)	Vice-President of the RPA "Union of Farmers of Kazakhstan"	7 August 2013

Summary biographical information regarding each member of the board of directors of ACC is set out below:

Dulat N. Aitzhanov: see "**—** *The Board of Directors*".

Dauren S. Makhazhanov: see "*—The Company's Management Board*".

Nurlybek T. Malelov graduated from E. A. Buketov Karaganda State University in 1995 with a degree in Economics. From 1999 to 2006, Mr Malelov held executive positions at ATF Bank JSC, and, from 2006 to 2007, he held executive positions at Alliance Bank JSC. From 2007 to 2009, he held executive positions at Astana Capital Investment Group LLP. From 2009 to 2011, Mr Malelov worked at National Managing Holding "KazAgro" JSC. Mr Malelov has been a member of ACC's board of directors since 14 November 2012.

Sagadat K. Ashebekov graduated from the Almaty Institute of National Economy in 1982 with a degree in Economics. From 1994 to 1994, Mr Ashebekov held executive positions at Kazagroprombank. Mr Ashebekov has been a member of ACC's board of directors since 14 November 2012.

Akzhol A. Abdukalimov graduated from the Semipalatinsk Veterinary Institute in 1973 with a degree in scientist zootechnician. From 2000 to 2009, Mr Abdukalimov held various positions in the Ministry of Agriculture of the Republic of Kazakhstan. Mr Abdukalimov has been a member of ACC's board of directors since 7 August 2013.

Management Board of ACC

As at the date of this Base Prospectus, the members of the Management Board of ACC are:

Name	**Other Positions**	**Date Appointed**

Nurlybek T. Malelov (Chairman of the ACC Management Board)	Member of the Board of Directors of ACC	9 October 2012
Aigul S. Mukhamadiyeva	First Deputy Chairman	31 May 2011
Kuat S. Akhmetov	Deputy Chairman	11 May 2010
Azhar U. Kabylova	Deputy Chairman	19 January 2009
Nurzhan R. Seisenbayev (Managing Director)	Managing Director	17 October 2013

Summary biographical information regarding each member of the management board of ACC is set out below:

Nurlybek T. Malelov: see "—*Board of Directors of ACC*".

Aigul S. Mukhamadiyeva graduated from the University of East Kazakhstan in 1997 with a degree in Mathematics. From 2005 to 2007, Ms Mukhamadiyeva held executive positions at ATF Bank JSC and, from 2007 to 2011, she held executive positions at Kazkommertsbank JSC. Ms Mukhamadiyeva has been a member of ACC's management board since 31 May 2011. She served as Deputy Chairman of ACC from 3 July 2011 to 28 November 2012 and has served as First Deputy Chairman since 29 November 2012.

Kuat S. Akhmetov graduated from the Almaty Institute of National Economy in 1998 with a degree in Agricultural Planning. Prior to joining ACC, Mr Akhmetov held executive positions at APF UlarUmit JSC from 2006 to 2009. Mr Akhmetov has been a member of ACC's management board since 11 May 2010.

Azhar U. Kabylova graduated from the Kazakh State Institute of Agriculture in 1985 with a degree in Agricultural Production Economics. Before joining ACC, Ms Kabylova held executive positions at KazAgroFinance from 2001 to 2003. Ms Kabylova has been a member of ACC's management board since 19 January 2009.

Nurzhan R. Seisenbayev graduated from Karaganda State University in 2003 with a degree of Master in Economics and later from Karaganda University Bolashak in 2009 with a degree in jurisprudence. Before his employment by ACC as a Managing Director, Mr Seisenbayev served as a Head of Lending Department at KazAgroFinance and ACC.

Management of the Fund

Board of Directors of the Fund

As at the date of this Base Prospectus, the members of the Fund's board of directors are:

Name	**Other Positions**	**Date Appointed**
Dauren S. Makhazhanov (Chairman of the Fund's Board of Directors)	Deputy Chairman of the Management Board of the Company	5 November 2012
Narmukhan K. Sarybaev (Chairman of the Fund's Management Board)	—	19 December 2012
Kanat S. Zhauymbayev	Managing Director of Company	3 February 2014
Bolat O. Utepbayev (independent director)	Chairman of the Auditing Commission DPK "Ak Jol", Chairman of the Management Board of LLP "MTS Orynbek", Vice President of the Kazakhstan Industrial Chamber	17 May 2012
Azat Y. Mashabayev (independent	Chairman of the LLP "Strategy Partners	19 August 2013

director)	Kazakhstan"	

Summary biographical information for each member of the board of directors of the Fund is set out below:

Dauren S. Makhazhanov see "*—The Company's Management Board*".

Narmukhan K. Sarybaev graduated from South Kazakhstan State University in 2001 with a degree in International Economy. From July 2011 to October 2011, Mr Sarybaev held positions at Cotton Union LLP and, from 2002 to 2003, he held positions at Kazakh Cotton Corporation. From 2003 to 2005, Mr Sarybaev worked at AgroTrade before working at the Special Economic Zone "Ontustyk" from 2006 to 2009. Mr Sarybaev has been a member of the Fund's board of directors since 19 December 2012.

Kanat S. Zhauymbayev graduated from Karaganda State University with a degree of Master of Economics with a specialization in accounting and audit. From 2002, he worked in different positions in corporate and retail businesses and was a chief specialist in the corporate credit department. Mr Zhauymbayev has worked in numerous senior managerial positions in bank branches, and at one time was head of the department of SME business at Alfa-Bank. From 2012, he worked as an advisor to the Chairman and from November 2012 as a Managing Director of National management holding KazAgro.

Bolat O. Utepbayev graduated from Kazakh State University in 1992 with a degree in Political Science. From 1997 to 1999, Mr Utepbayev held positions at the "Munaionimderi" JSC and, from 2000 to 2002 he worked at the Kazakh-Japanese Joint Venture Company KeyOneKaz. From 2006 to 2012, Mr Utepbayev worked at the National Economic Chamber of Kazakhstan "Union Atameken". Since 2012, Mr Utepbayev has worked at the Real Estate Fund Samruk-Kazyna JSC. Mr Utepbayev has been a member of the Fund's board of directors since 12 April 2011.

Azat Y. Mashabayev graduated from Kazakh Economic University with a specialization in accounting and audit, and later from Bremen National University under the "Bolashak" program with a specialization in law; he also studied at the Institute of Internal Auditors, RWE AG Hamburg, Germany. In 2005-2006, he worked as a head in internal audit at KazTransGaz; in 2006-2008, he was the Head of internal audit in National Company KazMunaiGaz; and in 2008-2009, he worked as the Department Director of strategy and asset management at Samryk-Kazyna. In 2009-2012, he was appointed as a managing marketing director at Kazakhstan Communications and later worked as Deputy Chairman of the Management Board of KazTeleRadio and Deputy General Director of the Citizen Service Center. From November 2012, he has been Head of the office of Strategy Partners Kazakhstan LLP.

Management Board of the Fund

As at the date of this Base Prospectus, the members of the management board of the Fund are:

Name	Other Positions	Date Appointed
Narmukhan K. Sarybaev (Chairman of the Management Board of the Fund)	Member of the Board of Directors of the Fund	5 November 2012
Bakhyt E. Kudasbayeva	Deputy Chairman	19 November 2012
Almas Zh. Taubayev	Deputy Chairman	30 July 2012
Bolat B. Kuldeev	Deputy Chairman	30 July 2012
Kulzada A. Dosmaganbetova	Director of Legal Department	30 July 2012

Summary biographical information regarding each member of the management board of the Fund is set out below:

Narmukhan K. Sarybaev: see "*— Board of Directors of the Fund*"

Bakhyt E. Kudasbayeva graduated from the Tselinograd Agricultural Institute in 1979 with a degree in Economics. From 1979 to 1980, Ms Kudasbayeva held executive positions at the Derzhavin Department for Agricultural Management; from 1980 to 1981, she worked at the Tselinograd Agricultural Institute; from 1994 to 2001 she worked at Halyk Bank JSC; from 2002 to 2003, she worked at Kazakh State Law University JSC; she joined ATF Bank JSC in 2003; and from 2007 to 2009 she worked at Alliance Bank JSC. Ms Kudasbayeva held various positions at the Company from February 2009 to November 2009, ACC from November 2009 to May 2011 and KazAgroProduct and KazAgroFinance JSC from May 2011 to November 2012. Ms Kudasbayeva has been a member of the Fund’s management board since 5 November 2012.

Almas Zh. Taubayev graduated from E.A. Buketov Karaganda State University in 2003 with a degree in Finance and Credit. From May 2003 to December 2003, Mr Taubayev held positions at ATF Bank JSC and, from 2004 to 2009 he worked at Kazkommertsbank JSC. Mr Taubayev has been a member of the Fund’s Management board since 22 February 2011.

Bolat B. Kuldeev graduated from Karaganda State University in 1994 with a degree in Economics. From 1991 to 1997, Mr Kuldeev held positions at Turan Bank JSC, and, from 1997 to 1998, he worked at KazAgroPromBank. In 1998, he joined ATF Bank JSC where he worked until 2006. From 2007 to 2008, Mr Kuldeev held various positions at Tsesnabank JSC and, from 2009 to 2011 he worked at the Astana Capital Building Project LLP. Mr Kuldeev has been a member of the Fund’s management board since 30 July 2012.

Kulzada A. Dosmaganbetova graduated from Al-Farabi Kazakh State National University in 1993 with degree in Jurisprudence. From 1986 to 1988, Ms Dosmaganbetova held positions at Dzhalagash Office of Public Prosecutors and from 1999 to 2001 she worked at the T. Ryskulov Kazakh Economic University. From 2002 to 2004, Ms Dosmaganbetova worked at the Akmola Trans Agency LLP, and then joined ATF Bank JSC in 2004 and worked there until 2007. Ms Dosmaganbetova has been a member of the Fund’s Management board since 5 January 2011.

SHARE CAPITAL, SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Share Capital

As at 31 December 2013, the Company's outstanding share capital consisted of 267,816,731 ordinary shares with a value of KZT 1,000 per share, all of which are issued and fully paid. Each ordinary share carries one vote. The sole shareholder of the Company is the State. Pursuant to the certificate of shareholders owning 5% and more shares as at 1 April 2014, the Committee of State Property and Privatization of the RK Ministry of Finance is formally registered as the sole shareholder of the Company. Pursuant to the Resolution No. 1247 of the Government dated 23 December 2006, the Ministry of Agriculture has the right to hold and use shares of the Company on behalf of the State.

Under the amendments introduced to the Law on State Budget on 31 March 2014 it is planned to allocate KZT 20,000,000 thousand from the State Budget for increase of the share capital of the Company, thus the sole shareholder plans to increase the number of ordinary shares for 20,000 thousand shares.

The Ministry of Agriculture

The Ministry of Agriculture is the central executive body within the Government that is responsible for the agricultural sector in the Republic of Kazakhstan.

The main objectives of the Ministry of Agriculture include the following:

- developing strategic plans for the Government's agricultural and regional policy, State and other programmes and projects in the agricultural sector, in particular, concerning:
    - the protection of flora and fauna, including specially protected natural areas;
    - the development of rural areas, farming and seed production;
    - regulation of the grain market;
    - Government support for mandatory insurance in crop production;
    - veterinary medicine and agricultural science;
    - the manufacturing industry relating to the production of food products, including beverages (except alcohol products and ethyl alcohol), leather (tanning and finishing), cotton fibre and wool processing and the agricultural engineering industry (except large machinery);
    - technological development in the agricultural sector;
    - livestock production;
    - reclamation, irrigation and drainage;
    - the establishment of foundations for the creation of competitive agricultural commodity production; and
    - food security in Kazakhstan;
- ensuring Government control, supervision and management in the agricultural sector (except for forestry, hunting, fishing and water resources), specially protected natural areas and matters concerning the development of rural areas; and
- developing information and consultancy support for agribusinesses.

Dividend Policy

The Company distributes its net income in accordance with Decree No.633 of the Government dated 26 July 2007 "On Dividends in respect of State Shares and Income on State Participatory Interests", as well as the dividend policy of the Company approved by a decision of the sole shareholder of the Company in the form of an order of the Minister of

Agriculture. The Company has historically paid annual dividends in the amount of no less than 10% of the Company's net income for the relevant year and management expects that the Company will continue to pay dividends at this level. The Board of Directors may, however, elect to recommend to the sole shareholder to take a decision that no dividends should be paid in a particular year depending on the circumstances.

The Company's subsidiaries have historically paid annual dividends to the Company, in its capacity as shareholder, in amounts equal to at least 50% of their net income for the relevant year in line with the Company's strategic policies on distributions from subsidiaries. In each case, however, decisions as to the actual payment of dividends by a particular subsidiary, and fixing the amount of such dividends, in any given year are made based on the recommendation of the management board of the relevant subsidiary to its board of directors, which, in turn, makes its own recommendation to the Company in its capacity as the sole shareholder of such subsidiaries. Pursuant to its charter, KazAgroGarant is restricted from paying dividends on its share capital and is instead required to reinvest its profits in its ongoing operations.

The following table sets out dividends paid by the Company's subsidiaries for the years provided.

	As at 31 December					
Name of subsidiary	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
	(KZT thousands)					
KazAgroFinance JSC	638,226	543,945	1,203,357	575,432	302,889	3,263,849
Agrarian Credit Corporation JSC	161,577				96,792	258,369
NC Food Contract Corporation JSC	201,723	800,257	411,449	107,327	83,518	1,604,274
Fund for the Financial Support of Agriculture JSC	—	—	—	—	61,202	61,202
KazAgroMarketing JSC	—	—	—	—	—	—
KazAgroProduct JSC	—	—	—	—	—	—
KazAgroGarant JSC	—	—	—	—	—	—
	1,001,526	**1,344,202**	**1,614,806**	**682,759**	**544,401**	**5,187,694**

Related Party Transactions

Transactions with the Board of Directors and the Company's Management Board

For the year ended 31 December 2013, the total remuneration of members of the Board of Directors and the Company's Management Board, including payroll and related taxes, was KZT 66.0 million, compared to KZT 75.9 million and KZT 72.6 million as at 31 December 2012 and 2011, respectively. Such amounts include non-cash benefits granted to members of the Board of Directors and the Company's Management Board, as the case may be.

The Company enters into certain transactions with other State and national companies and organisations, which are deemed to be related parties to the Company.

Loans from the Government comprise a significant source of the Company's funding. See "*Selected Statistical and Other Data—Principal Sources of Funding—Amounts due to the Government*".

For details of the Group's related party transactions for the years ended 31 December 2013, 2012 and 2011, see Note 46 to the Consolidated Financial Statements.

The JSC Law provides that, in the event that a member of the Board of Directors has a conflict of interest in relation to an investment project or other transaction, such member must inform the Board of Directors of the conflict and shall not participate in the vote to approve such transactions. Any vote shall then be passed by a majority of the remaining non-conflicted members. Only if there are insufficient non-conflicted members of the Board of Directors to pass a vote, shall a decision to approve a transaction be taken by a general meeting of the Company.

BANKING SECTOR IN KAZAKHSTAN

Introduction

Kazakhstan has a two tier banking system with the NBK, comprising the first tier and the commercial banks comprising the second tier (with the exception of the DBK, which has a special status and belongs to neither tier). Generally, all credit institutions in Kazakhstan are required to be licenced and regulated by the NBK. From 2004 until April 2011, these functions were carried out by the FMSA and, prior to 2004, and since April 2011, these functions are carried out by the NBK.

The Government, the NBK, the FMSA and subsequently the FMSC have undertaken significant structural reforms in the banking sector, aimed at promoting consolidation in the banking sector and improving the overall stability of the system.

Global financial instability and market dislocation have adversely affected the Kazakhstan banking sector, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks. Statistics in the Current Condition Report of Banking Sector in the Republic of Kazakhstan published by the FMSC (the "Current Condition Report") on 1 March 2014 record a slight deterioration in asset quality in 2014. NPLs in the banking sector (which constitute loans overdue by more than 90 days) increased to 33.6% as at 1 March 2014 from 30.5% as at 1 March 2013. According to the FMSC's Current Condition Reports for 2012 and 2011, the NPL level increased from 20.5% as at 1 March 2011 to 21.9 % as at 1 March 2012. The Kazakhstan banking sector recorded a loss of KZT 37.6 billion as at 1 January 2012, compared to a net profit of KZT 222.1 billion as at 1 January 2013 according to the Current Condition Reports as of the relevant dates. According to the Current Condition Report, as at 1 March 2014, the Kazakhstan banking sector recorded a net income of KZT 36.4 billion, as well as a general increase in assets from the beginning of 2014, from KZT 15,462 billion as at the beginning of 2014 to 16,908 billion as at 1 March 2014, or of 9.4%. As at 1 January 2013, the share of bad loans in the Kazakhstan banking sector was 28.2% for all banks.

The Government has taken a number of steps to support the Kazakhstan banking sector including significant capital injections. The Government's capital injections into the Kazakhstan banking sector are estimated at 6.4%, of Kazakhstan's GDP in 2009, compared, for example, to the United Kingdom and the United States where, according to the IMF, capital injections represented 3.9%, and 2.2%, respectively. According to the relevant Current Condition Report, the total amount of capital injected into the Kazakhstan banking sector as at 1 March 2014 was KZT 351.6 billion.

For a discussion of various risks associated with the banking sector and banking regulation in Kazakhstan, see "*Risk Factors— Risks Relating to Kazakhstan—Kazakhstan's Banking Industry*".

The NBK and the FMSC

The NBK is the central bank of Kazakhstan and the state authority performing regulation, control and supervision of the financial markets and financial organisations in Kazakhstan. Although it is an independent institution, it is subordinate to the President of Kazakhstan. The President of Kazakhstan has the power, among other things, to appoint and remove the NBK's Chairman, to appoint and remove the NBK's Deputy Chairman upon the proposal of the Chairman, to approve the annual report of the NBK, to approve the concept of the design of the national currency, and to request information from the NBK. On 1 October 2013 the President of Kazakhstan appointed Mr Kairat Kelimbetov as the Chairman of the NBK. The principal governing bodies of the NBK are the Executive Board (the "Executive Board") and the board of directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Chairman, five other representatives of the NBK (including the Chairman of the FMSC), a representative of the President of Kazakhstan and two representatives of the Government.

The NBK is responsible for most of the supervisory and regulatory functions in the financial sector. These functions were performed by the FMSA from 2004 until April 2011, when they were transferred to the NBK on the basis of a presidential decree. Since April 2011, the NBK's functions in respect of the supervision and regulation of the financial sector have been performed by the FMSC, which is a sub-division of the NBK.

The FMSC is headed by a chairman, who is appointed by the Chairman of the NBK and reports to the Chairman and the Executive Board of the NBK. In January 2014, Mr Mukhtar Bubeev was appointed as the Acting Chairman of the FMSC. The FMSC has the authority to regulate and supervise Kazakhstan's banking and insurance sectors, as well as the activities of accumulated pension funds, investment funds, credit bureaus and the securities market in Kazakhstan. In this respect, the FMSC: (i) grants licences to financial institutions to carry out certain banking and other operations set forth in the banking legislation of Kazakhstan; (ii) approves prudential standards applicable to financial institutions; (iii) approves financial reporting requirements applicable to financial institutions; (iv) monitors the activities of financial institutions; (v) applies sanctions, if necessary; and (vi) participates in the liquidation of financial institutions (when needed).

In addition, in April 2011, the NBK was granted the responsibility for regulating the operations of the Almaty Regional Financial Center ("RFCA") a role that was previously performed by the Agency for Regulation of the Operations of the Almaty Regional Financial Center (the "ARO RFCA"). See "*- Almaty Regional Financial Center*" below.

The Agency of the Republic of Kazakhstan for Competition Protection (the "Competition Agency") administers anti-monopoly legislation in Kazakhstan in the banking sector. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the FMSC. For example, certain transactions with a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the FMSC.

Almaty Regional Financial Center

The RFCA was established in June 2006, for the purpose of developing Kazakhstan's securities market, integrating it into the international capital markets and attracting investments in Kazakhstan's economy. The RFCA entails a special legal regime regulating relations of participants of the RFCA and interested parties with in order to develop the financial market of Kazakhstan. The NBK controls and supervises the activities of the RFCA, as well as the registration of its participants. Prior to April 2011, these functions were performed by the ARO RFCA. The inaugural trade on the RFCA special trade platform (the "Special Trade Platform") within the trading system of KASE took place on 27 February 2007. In November 2009, the Special Trade Platform was merged into the main trading platform of the KASE. As at 6 December 2013, 17 companies are registered as RFCA participants.

Banking Supervision

Capital Adequacy

The FMSA refined its capital adequacy and credit exposure standards in September 2005, when it set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions.

In November 2005, regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represented a substantial step towards the implementation of the Basel Accord. In particular, these regulations introduced the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (qualified subordinated debt) and operational and market risks and included rules for calculating risk with respect to derivatives.

The FMSC requires banks to maintain a Kl 1 (Tier 1 capital to total assets) and Kl 2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio of 6.0%, compared with the BIS Guidelines' recommendation of 4.0%. The FMSC's K2 (own capital to total assets weighted for risk) capital adequacy ratio requirement is 12.0%, compared to the BIS Guidelines' recommendation of 8.0%. For banks with a bank holding company or a bank parent company as well as state controlled banks, the Kl 1 (Tier 1 capital to total assets) and Kl 2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio requirement is 5.0% of total assets while the K2 (own capital to total assets weighted for risk ratio) is 10.0%, of risk weighted assets.

Reserve Requirements

Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to banks. With effect from 3 March 2009, the minimum level at which second tier banks must maintain reserves was decreased from 2.0% to 1.5% and from 3.0% to 2.5% for domestic liabilities and other liabilities respectively. With effect from 31 May 2011, this was increased from 1.5% to 2.5% for domestic liabilities and from 2.5% to 4.5% for other liabilities.

On 21 September 2012, the NBK set the reserve requirements applicable to banks undergoing restructuring proceedings at 0% for both domestic and other liabilities. The rate applies from the date of the order of the Specialised Financial Court of Almaty (the "Court") commencing the restructuring to the date on which the Court order on the completion of the restructuring comes into force.

Effective since 13 November 2012, the current minimum level at which second tier banks must maintain reserves is 2.5% for domestic short-term liabilities (compared to 0% for domestic long-term liabilities), 6% for foreign short-term liabilities and 2.5% for foreign long-term liabilities.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 2 April 2014, 37 banks were covered by the scheme. The insurance coverage is presently limited to personal term deposits in any currency and current accounts up to a maximum amount per customer of KZT 5 million at any given bank (following an increase in this amount from KZT 1 million effective 1 January 2012). Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Other Regulations

In June 2006 the FMSA implemented measures to restrict Kazakhstan banks from having outstanding external short term financings exceeding their regulatory capital. These measures might limit a bank's ability to extend the maturity of certain short term facilities causing it to look for longer term financings or customer deposits to replace such short term facilities. A failure to replace these facilities could lead to an increase in a bank's funding costs, an increase in its liquidity and interest rate risk or both.

To address concerns about currency mismatches and more precisely, to manage banks' liquidity, the FMSA has also tightened its requirements applicable to open/net currency positions and introduced various limits on currency liquidity.

In January 2013, certain amendments to Kazakhstan's banking legislation resulted in the abolition of the requirements for the classification of assets in accordance with the FMSC's rules, and the introduction of the following two requirements: (i) to create a mandatory dynamic reserve to cover losses that may result from carrying out banking activities; and (ii) to create mandatory reserves (other than a dynamic reserve) under IFRS. The parameters on how banks should create a mandatory dynamic reserve are set forth in the Rules for Formation of Dynamic Reserve and Establishment of Minimum Size Dynamic Reserve, Size for Expected Losses No. 137 adopted by the FMSC on 27 May 2013 (the "Reservation Rules").

On 7 July 2013, NBK Resolution No. 73 dated 25 February 2013 "On Approval of Rules on Application of Measures of Early Reaction and Methodology for Determination of Factors Having Adverse Influence on Financial Position of a Second Tier Bank" came into effect. Effective from 1 January 2014, the resolution stipulates that a commercial bank's NPLs must not exceed 15% of its total loan portfolio (excluding its reserves), which represents a lower figure than the previous mandatory ratio of 20%. Banks that exceed the threshold are required to work with the FMSC in implementing measures to improve their financial stability.

Commercial Banks

According to current reports and yearly reports published by the FMSC, as at 1 March 2014, there were 38 commercial banks in Kazakhstan which had capital of over KZT 2,503 billion. From 1 October 2009 until 30 June 2011, any bank whose capital (shareholders' equity) was below KZT 5,000 million (or KZT 2,000 million for banks registered outside of Astana and Almaty and complying with certain other conditions), was required to apply to the FMSC for reorganisation into a credit partnership. Starting from 1 July 2011, the minimum capital requirements were established at KZT 10 billion for banks, including newly created banks, KZT 3 billion for residential construction savings banks and KZT 4 billion for banks registered and carrying out a significant part of their operations outside Astana and Almaty (and complying with certain other conditions).

The total capital of commercial banks according to the Current Condition Reports increased to KZT 2,503 billion as at 1 March 2014, compared to KZT 2,132 billion as at 1 March 2013 and KZT 2,007.3 billion as at 1 March 2012. The total assets of such banks increased to KZT 16,907.9 billion as at 1 March 2014, compared to KZT 14,120.9 billion as at 1 March 2013 and KZT 13,127.2 billion as at 1 March 2012. Aggregate liabilities increased to approximately KZT 14,787.6 billion as at 1 March 2014, compared to KZT 12,083.9 billion as at 1 March 2013 and KZT 11,915.9 billion as at 1 March 2012. Aggregate net profit amounted to KZT 261.2 billion as at 1 January 2014 compared to KZT 222.1 billion as at 1 January 2013.

The NBK decreased its refinancing rate from 7.5% in 2011 to 5.5% effective from 6 August 2012. The stated reason for the rate cut was the shortage of liquidity in the market at the time and a decrease in inflation.

Samruk-Kazyna is currently planning to reduce the size of its shareholdings in BTA Bank, Temirbank and Alliance Bank: and has agreed to sell 93% of its stake in BTA Bank to Kazkommertsbank and Mr Kenes Rakishev (each buyer is purchasing shareholdings of 46,5% and the balance of 4,26% will be transferred to Kazkommertsbank for trust management), which will leave Samruk-Kazyna with a shareholding in BTA Bank of 4,26%: Samruk-Kazyna will also sell all of its common shares in Temirbank (comprising 79,88%) to Mr Bulat Utemuratov and 16% of common and preferred shares in issue at Alliance Bank to Mr Bulat Utemuratov, which will leave Samruk-Kazyna with a majority of 51%. These transactions have not been completed yet.

Additionally, on 26 February 2014, Halyk Bank entered into an agreement with HSBC Bank plc to purchase all of the share capital of HSBC Bank Kazakhstan, a wholly owned subsidiary of HSBC Bank plc.

Foreign Capital in the Banking Sector

The development of the Kazakhstan economy in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment or by participating in the banking and financial services sector. Foreign banks are prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakhstan subsidiary or joint venture in order to provide banking services in Kazakhstan.

A number of foreign banks have opened representative offices in Kazakhstan, including Bank of Tokyo-Mitsubishi UFJ Ltd, Commerzbank AG, Deutsche Bank AG, ING Bank N.V., JP Morgan Chase Bank, N.A., Landesbank Berlin AG, Société Générale, Standard Chartered Bank and UBS AG. In addition, as at 1 March 2014, there were 17 banks with foreign participation operating in Kazakhstan, including RBS Kazakhstan, Citibank Kazakhstan and Sberbank Kazakhstan. Under applicable legislation, a bank with foreign participation is defined as a bank with direct or indirect foreign ownership of more than one-third. Banks with less than one third direct or indirect foreign ownership are considered domestic banks.

Financial Stability and Restructuring Reforms

Financial Stability Laws

On 23 October 2008, legislation aimed at providing the stability of the Kazakhstan financial system was adopted ("**Financial Stability Law**").

Under the Financial Stability Law, if a bank breaches capital adequacy or liquidity ratios or if a bank breaches in any twelve month period other prudential or mandatory requirements, the Government may, with the agreement of the FMSC, acquire, either directly or through a national management holding company (which is currently Samruk-Kazyna, National Management Holding Baiterek JSC or the Company (in such capacity, the "**National Management Holding Company**")), the authorised shares of such bank to the extent necessary (but not less than 10.0%, of the total amount of issued and outstanding shares of such bank, including those to be acquired by the Government or the National Management Holding Company) to improve such bank's financial condition and ensure compliance with the relevant prudential or other mandatory requirements. The Financial Stability Law provides that the management and shareholders of an affected bank do not have the right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or the National Management Holding Company is authorised to appoint up to 30.0%, of the members of the board of directors and the management board of the affected bank.

The main objectives of the Financial Stability Law are to improve early detection mechanisms for risks in the financial system, provide powers to the Government to acquire shares in commercial banks that face financial problems and improve the overall condition of financial institutions in Kazakhstan. The Financial Stability Law also consolidates authority to oversee second-tier Kazakhstan banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

The Government or the National Management Holding Company must sell the acquired shares within a year of their acquisition to third-party investors or otherwise by way of a direct sale or through the stock exchange. However, this term may be extended if the financial condition of the bank shows no sign of improvement.

On 2 February 2009, the FMSA agreed with the Government on the acquisition of approximately 75.1%, of BTA Bank's shares, which were subsequently acquired by Samruk-Kazyna within the new financial stability measures. In March 2009, Samruk-Kazyna made a deposit of KZT 24,000 million with Alliance Bank to support its financial stabilisation and further capitalisation.

On 31 December 2009, Samruk-Kazyna purchased 100% of the outstanding common and preferred shares of Alliance Bank. After restructuring the debts of Alliance Bank, Samruk-Kazyna held 67% of the outstanding common shares and 67% of the outstanding preferred shares of Alliance Bank. These measures proved to be insufficient and both BTA Bank and Alliance Bank defaulted on their debt in April 2009.

Samruk-Kazyna is now planning to reduce the size of its stakes in BTA Bank and Alliance Bank. See "*Commercial Banks*" above.

The Restructuring Law in Kazakhstan

On 11 July 2009, Kazakhstan's Parliament adopted a law No 185-IV (the "**Restructuring Law**") amending certain legislative acts. Prior to the adoption of the Restructuring Law, there was no statutory framework allowing for the restructuring of banks' indebtedness on the basis of the approval by a qualified majority of creditors. Previously, creditors who did not wish to participate in a restructuring had the ability to offset their claims against a bank's assets or bring litigation in any jurisdiction where such assets were located.

In May 2009, JSC Astana Finance, a diversified financial services company, defaulted and announced a moratorium on the repayment of its debt. In November 2009, Temirbank defaulted and announced a moratorium on the repayment of its debts, while other banks faced increasing pressure due to the growing number of NPLs. In response to the pressure faced by the major banks in Kazakhstan in 2008 and 2009, Kazakhstan's Parliament adopted the Restructuring Law with the aim of allowing financial restructuring subject to the approval by a qualified majority of creditors and of revising the existing framework for good bank/bad bank reorganisations.

The restructuring of Alliance Bank was completed on 28 April 2010, resulting in the restructuring and/or cancelling of over U.S.$4.5 billion of Alliance Bank's financial indebtedness. The completion of the restructuring of Temirbank was announced on 30 June 2010, resulting in the restructuring of approximately U.S.$1.5 billion of Temirbank's financial indebtedness. The 2010 restructuring of BTA Bank was completed on 31 August 2010, resulting in the restructuring of approximately U.S.$16.7 billion of BTA Bank's financial indebtedness. BTA Bank announced the completion of its 2012 restructuring for U.S.$ 11.1 billion in December 2012. On 31 January 2014, Alliance Bank's Board of Directors approved a resolution to commence the second restructuring of Alliance Bank's indebtedness.

On 19 March 2014, the President of Kazakhstan signed the Law "On the Adoption of Changes and Additions into the Legislative Acts of the Republic of Kazakhstan about Restructuring Questions of Second-Tier Banks". This Law amends Articles 8 and 11-1 of the Banking Law in order to (i) allow the acquisition of more than 50% of the shares in a restructured bank by another bank, and (ii) allow a restructured bank, in which at least 50% of shares have been acquired by another bank, to have subsidiary organisations.

As at the date of this Base Prospectus, the application of the Restructuring Law has been tested in practice four times, in the restructurings of Alliance Bank, BTA Bank, Temirbank and JSC Astana Finance.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and as read in conjunction with the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these terms and conditions will have the meanings given to them in the Fiscal Agency Agreement and Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the terms and conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. INTRODUCTION

Joint Stock Company "KazAgro" National Management Holding (the "**Issuer**") has established a Debt Issuance Programme (the "**Programme**") for the issuance of up to U.S.$2,000,000,000 in aggregate principal amount of notes (the "**Notes**") outstanding. The Notes are constituted by, are subject to and have the benefit of the deed of covenant dated 6 May 2014 (as may be amended or supplemented from time to time, the "**Deed of Covenant"**) executed by the Issuer for the benefit of holders of the Notes ("**Noteholders**" or "**Holders**") and are the subject of an amended and restated fiscal agency agreement dated 6 May 2014 (as may be further amended or supplemented from time to time, the "**Fiscal Agency Agreement**") and made between the Issuer, Citibank Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the transfer agents, paying agents and other agents named therein.

Notes issued under the Programme are issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche is the subject of Final Terms (the "**Final Terms**"), which should be read in conjunction with these terms and conditions. The terms and conditions applicable to any particular Tranche of Note are these terms and conditions, as completed by the relevant Final Terms (together, the "**Terms and Conditions**"). In the event of any inconsistency between these terms and conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All subsequent references in these Terms and Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

Certain provisions of these Terms and Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of the Fiscal Agent, the initial Specified Office of which are set out below.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

Terms defined in the Fiscal Agency Agreement or the Deed of Covenant shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein. In these Terms and Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Amortisation Yield**" has the meaning given in the relevant Final Terms;

"**Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

(a) in the case of Euros, a TARGET Settlement Day;

(b) in the case of a Specified Currency other than Euros, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or

(c) in the case of a Specified Currency or one or more Business Centre(s) specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of Months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

  (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

  (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

  (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and such other amount(s) as may be specified in the relevant Final Terms;

"**Change of Control**" means the Republic of Kazakhstan ceases to own, whether directly or indirectly, through another entity wholly owned by the Republic of Kazakhstan, 100.0% of the paid up share capital of the Issuer;

"**Clearstream, Luxembourg**" means Clearstream Banking société anonyme;

"**Day Count Fraction**" means (subject as provided in Condition 7 (*Fixed Rate Note Provisions*)), in respect of the calculation of an amount of interest for any Interest Period:

(a) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(b) if "Actual/365 (Fixed)" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

(c) if "Actual/360" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(d) if "30/360", "360/360" or "Bond Basis" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)); and

(e) if "30E/360" or "Eurobond Basis" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

"**DTC**" means The Depository Trust Company;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Euro Exchange Date**" means the date on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes denominated in Euros are available for exchange;

"**Extraordinary Resolution**" has the meaning given in the Fiscal Agency Agreement;

"**Fair Market Value**" means, in respect of any asset of the Issuer or a Material Subsidiary, the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Issuer or the relevant Material Subsidiary (as the case may be);

"**FCC**" means National Company "Food Contract Corporation" Joint Stock Company;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount;

"**Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**IFRS**" means International Financial Reporting Standards;

"**Indebtedness**" means any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock, standby letters of credit or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with IFRS, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing;

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as supplemented by the Annex to the 2000 ISDA Definitions and as further amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Material Subsidiary**" means at any given time, any Subsidiary of the Issuer whose gross assets or gross Revenues represent at least 10%, of the consolidated gross assets or consolidated gross Revenues of the Issuer and its consolidated Subsidiaries (in each case, determined by reference to the Issuer's most recent audited consolidated financial statements prepared in accordance with IFRS as published at the time by the International Accounting Standards Board or its successor) or any other Subsidiary to which is transferred either (a) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary or (b) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before the date of the said most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS and, for these purposes:

(a) the gross assets or gross Revenues of a Subsidiary shall be determined by reference to its then most recent audited financial statements prepared in accordance with IFRS; and

(b) the gross assets or gross Revenues of the Issuer and its consolidated Subsidiaries shall be determined by reference to the Issuer's then most recent audited consolidated financial statements prepared in accordance with IFRS,

and, for the avoidance of doubt, a Subsidiary of the Issuer may become, or cease to be, a Material Subsidiary as a result of an amalgamation, reorganisation or restructuring, in which event calculations shall be made as if the audited financial statements prepared in accordance with IFRS for such Subsidiary had been drawn up immediately after such amalgamation, reorganisation or restructuring and such audited financial statements formed the basis of the relevant calculation and, in addition, a certificate provided by the Issuer that in management's opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Original Financial Statements**" means the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2013;

"**Participating Member State**" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(a) if the currency of payment is Euros, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Financial Centre; or

(b) if the currency of payment is not Euros, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Financial Centre and which, if the currency of payment is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively;

"**Permitted Indebtedness**" means each of the following:

(a) refinancing (including successive refinancing) of Indebtedness of the Issuer or of any Subsidiary outstanding on the Issue Date (including the Notes issued on the Issue Date) or permitted to be incurred under Condition 6.2 (*Incurrence of Indebtedness*); provided that the aggregate principal amount is not thereby increased by more than the expenses incurred by the Issuer or its Subsidiaries in connection with such refinancing plus the amount of any premium to be paid in connection with such refinancing; and

(b) intercompany debt (i) between the Issuer and any Subsidiary and (ii) between any Subsidiary and another Subsidiary;

"**Permitted Restructuring**" means any restructuring or reorganisation of the Issuer or any Subsidiary or any sale, assignment, conveyance, transfer, grant or other disposal by the Issuer or any of its Subsidiaries of all or part of their respective assets, in each case, pursuant to any requirement of any law, regulation, order, resolution or decree of the Government of the Republic of Kazakhstan or any ministry, agency, authority or other instrumentality thereof;

"**Permitted Restructuring Ratings Event**" means any restructuring or reorganisation of the Issuer or any Subsidiary or any sale, assignment, conveyance, transfer, grant or other disposal by the Issuer or any of its Subsidiaries of all or part of its respective assets, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily (an "**Asset Sale**"), which:

(a) constitutes a Permitted Restructuring but is not otherwise permitted pursuant to sub-paragraphs (i), (ii), (iii), (iv) or (vi) of Condition 6.3(b) (*Limitations on Disposals by the Issuer and each Material Subsidiary*); and

(b) results in:

(i) the withdrawal by any Rating Agency of its rating of the Notes; or

(ii) the reduction by any Rating Agency of its rating of the Notes by two or more rating sub-categories from the rating applicable immediately before the occurrence of the Asset Sale;

"**Permitted Security Interest**" means any Security Interest:

(a) in existence on the Issue Date;

(b) granted in favour of the Issuer by any Subsidiary to secure Indebtedness for Borrowed Money owed by such entity to the Issuer;

(c) which arises pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(d) being liens or rights of set off arising by operation of law and in the ordinary course of business, including, without limitation, any rights of set off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property of the Issuer held by financial institutions;

(e) arising in the ordinary course of the Issuer's or a Subsidiary's business and (i) which are necessary in order to enable the Issuer or such Subsidiary to comply with any mandatory or customary requirement imposed on it by applicable regulatory authorities in connection with the Issuer's or such Subsidiary's business or (ii) limited to deposits made in the name of the Issuer or such Subsidiary to secure obligations of the Issuer's or such Subsidiary's customers;

(f) on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;

(g) created in the ordinary course of business as security for Indebtedness for Borrowed Money, including, without limitation security on or over any grain, goods, other food products or related documents of title for the purposes of financing any purchase and sale arrangements for grain, goods or other food products;

(h) in respect of any interest rate swap, option, cap, collar or floor agreement or any foreign currency swap agreement or other similar agreement or arrangement designed to protect the Issuer or any Material Subsidiary against fluctuations in interest or foreign currency rates;

(i) granted upon or with regard to any property or assets hereafter acquired by the Issuer or any Subsidiary to secure the purchase price thereof or the cost of construction, improvement or repair of all or any part of such property or assets or to secure Indebtedness for Borrowed Money incurred solely for the purpose of financing the acquisition, construction, improvement or repair of all or any part of such property or assets and transactional expenses related thereto (so long as such Security Interest was not created in contemplation thereof), provided that the maximum amount of Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the purchase price or cost of construction, improvement or repair of such property or assets (including transactional expenses) or the Indebtedness for Borrowed Money incurred solely for the purpose of financing the acquisition, construction, improvement or repair of such property or assets;

(j) any netting or set off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(k) not covered by the provisions of (a) through (i) above, on the property, income or assets of the Issuer or any Subsidiary securing Indebtedness, provided that the aggregate amount of Indebtedness so secured pursuant to this paragraph (j) at any one time shall not exceed an amount in any currency or currencies equivalent to 15% of the Issuer and its Subsidiaries consolidated total assets, determined by reference to the Issuer's most recent audited consolidated financial statements prepared in accordance with IFRS; and

(l) arising out of the refinancing, extension, renewal or refunding of any Indebtedness for Borrowed Money secured by a Security Interest either existing on or before the Issue Date of the Notes or permitted by any of the above exceptions, provided that the Indebtedness for Borrowed Money thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness for Borrowed Money and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Potential Event of Default**" means any event which, with the giving of notice or lapse of time, would be an Event of Default;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to Euros, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Event**" means: (i) a Permitted Restructuring Ratings Event; or (ii) a Change of Control;

"**Put Event Date**" means, following the occurrence of a Put Event, the sixtieth day after notice thereof is given by the Issuer pursuant to Condition 10.3 (*Redemption at the Option of the Noteholders*);

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Fiscal Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Terms and Conditions and the relevant Final Terms;

"**Rating Agency**" means Fitch Ratings Ltd., Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Ltd. or any of their respective successors or any internationally recognised rating agency substituted for any of them by the Issuer;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Tax Redemption Amount, the Put Event Redemption Amount or, with respect to Zero Coupon Notes, any redemption amount calculated in accordance with Condition 10.5 (*Redemption Amount for Zero Coupon Notes*);

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means one of the following benchmark rates (as specified in the relevant Final Terms);

(a) London Interbank Offered Rate (LIBOR); or

(b) Euro Interbank Offered Rate (EURIBOR);

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, the Reuters Markets 3000 Money Rates Service and Telerate) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Revenues**" means, in respect of any period, the sum of revenues and interest income as shown on the audited consolidated financial statements of the Issuer or the audited financial statements of any Subsidiary, as applicable, for such period, in each case prepared in accordance with IFRS;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Interest Payment Date**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Fiscal Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**") (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50.0%, of the capital, voting stock or other right of ownership and "**Control**", as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise;

"**TARGET System**" means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System 2 or any successor thereto;

"**TARGET Settlement Day**" means any day on which the TARGET System is open;

"**Tax Redemption Amount**" means, in respect of any Note, its then outstanding principal amount;

"**Treaty**" means the Treaty establishing the European Communities, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

2.2 Interpretation

In these Terms and Conditions:

(a) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Terms and Conditions;

(b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;

(c) references to Notes being "outstanding" shall be construed in accordance with the Fiscal Agency Agreement; and

(d) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. FORM, DENOMINATION AND TITLE

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms or integral multiples thereof, without interest coupons, provided that:

(a) the Specified Denomination(s) shall not be less than EUR100,000 or its equivalent in another currency;

(b) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 or its equivalent in other currencies; and

(c) Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in another currency).

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

4. TRANSFERS OF NOTES

4.1 Transfer

One or more Notes may be transferred, in whole or in part in the authorised denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of any Transfer Agent or Paying Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Transfer Agent or Paying Agent (as applicable) may reasonably require, including for the purposes of establishing title to the relevant Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. A copy of the current regulations will be made available by any Transfer Agent or Paying Agent to any Noteholder upon request.

4.2 Partial Redemption

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to any Transfer Agent or Paying Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.

4.3 Delivery

Each new Note to be issued pursuant to Conditions 4.1 (*Transfer*) or 4.2 (*Partial Redemption*) shall be available for delivery within five business days of receipt of the form of transfer or Put Option Notice and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of any Transfer Agent or Paying Agent (as the case may be) to whom delivery or surrender of such form of transfer, Put Option Notice or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Option Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or Paying Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 4.3, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or Paying Agent (as the case may be).

4.4 No Charge

Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Transfer Agent or Paying Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or the relevant Transfer Agent or Paying Agent may require).

4.5 Restrictions on Transfer

No Noteholder may require the transfer of a Note to be registered:

(a) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount or interest amount in respect of, that Note;

(b) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10.2 (*Redemption at the Option of the Issuer*); or

(c) after any such Note has been called for redemption, including partial redemption.

4.6 Forced Transfer

As specified in the Fiscal Agency Agreement, if, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB and a QP is not a QIB and a QP, the Issuer may (a) compel such beneficial owner to sell its Notes to a person who is (i) a U.S. person who is a QIB and a QP and that is, in each case, otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) not a U.S. person within the meaning of Regulation S or (b) compel the beneficial owner to sell such Notes to the Issuer or an affiliate thereof at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Notes, (y) 100 per cent. of the principal amount thereof and (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of interests in the Rule 144A Global Note or of Rule 144A Definitive Note Certificates to a U.S. person who is not a QIB and a QP.

5. STATUS

The Notes constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Issuer, which will at all times rank pari passu among themselves and pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. NEGATIVE PLEDGE AND COVENANTS

6.1 Negative Pledge

So long as any Note remains outstanding the Issuer shall not, and shall not permit any Material Subsidiary to create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Indebtedness for Borrowed Money or any Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money unless, at the same time or prior thereto, the Issuer's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

6.2 Incurrence of Indebtedness

So long as any Note remains outstanding, the Issuer shall not and it shall ensure that none of its Subsidiaries shall incur, directly or indirectly, any Indebtedness (other than Permitted Indebtedness); provided, however, that any of the Issuer or any of its Subsidiaries may incur Indebtedness at any time if:

(a) no Potential Event of Default or Event of Default shall have occurred and be continuing at the time, or shall occur as a result of the incurrence of such Indebtedness; and

(b) on the date of such incurrence and after giving effect thereto on a pro forma basis, the ratio of the total consolidated assets of the Issuer to the total consolidated equity of the Issuer based on the Original Financial Statements or, if later, the most recent consolidated financial statements of the

Issuer delivered to the Fiscal Agent pursuant to Condition 6.6(a)(i) or (ii) (*Financial Information*) would be no more than 5 times.

6.3 Limitations on Changes in Business and Disposals of Assets

(a) Limitation on Changes in Business

So long as any Note remains outstanding, the Issuer shall procure that the business of the Material Subsidiaries shall comprise the provision of finance and support to the Kazakh agricultural sector.

(b) Limitations on Disposals by the Issuer and each Material Subsidiary

So long as any Note remains outstanding, the Issuer will not and will procure that each of its Material Subsidiaries will not, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, assign, convey, transfer, grant or otherwise dispose of all or any of its respective assets or property to any Person, except as follows:

(i) disposals of assets in the ordinary course of business by the Issuer or the relevant Material Subsidiary;

(ii) disposals of assets to the Issuer or a wholly-owned Subsidiary of the Issuer;

(iii) disposals of assets which are obsolete, redundant, surplus or not necessary for the operation of the Issuer's or the relevant Material Subsidiary's business;

(iv) disposals of assets for which the Issuer or such Material Subsidiary, as the case may be, receives consideration at the time of such disposal at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of the assets subject to such disposal, provided that the net proceeds of any such disposal shall be reinvested in capital assets of the Issuer or any wholly-owned Subsidiary of the Issuer within 180 days following the date of receipt thereof;

(v) disposals of assets by the Issuer or any Subsidiary pursuant to a Permitted Restructuring; or

(vi) disposals of other assets not covered by the provisions of (i) through (v) above, provided that the aggregate value of all such other assets disposed of since the Issue Date does not exceed at any time 15% of the Issuer's consolidated total assets as shown in the Original Financial Statements or, if greater, the Issuer's then most recent audited consolidated financial statements prepared in accordance with IFRS.

6.4 Compliance with Regulations and Requirements of the National Bank of Kazakhstan

So long as any Note remains outstanding, the Issuer shall, and shall ensure that each of its Material Subsidiaries shall, at all times comply with all applicable prudential ratios of the National Bank of Kazakhstan, and any applicable regulations and requirements of the National Bank of Kazakhstan in relation to its equity capital or capital adequacy.

6.5 Ratings

So long as any of the Notes remain outstanding, the Issuer shall ensure that the Notes are rated by at least two Rating Agencies.

6.6 Financial Information

So long as any Note remains outstanding, the Issuer shall:

(a) send to the Fiscal Agent one copy of:

(i) the consolidated annual financial statements of the Issuer as soon as practicable after their date of publication and in any event not more than 120 days after the end of each financial year of the Issuer;

(ii) the consolidated interim condensed financial statements of the Issuer as soon as practicable after their date of publication and in any event not more than 120 days after the end of the first half of each financial year of the Issuer; and

(iii) every balance sheet, profit and loss account, report or other notice, statement or circular issued of the Issuer, as the case may be, in their capacity as such at the time of the actual issue or publication thereof,

and procure that the same are made available for inspection by Noteholders at the specified offices of the Fiscal Agent as soon as practicable thereafter;

(b) ensure that:

(i) each set of annual financial statements delivered by it pursuant to Condition 6.6(a)(i) is accompanied by an audit report of the Auditors;

(ii) each set of interim condensed financial statements delivered by it pursuant to Condition 6.6(a)(ii) is accompanied by a review report of the Auditors;

(iii) each set of financial statements delivered pursuant to Condition 6.6(a)(i) or (ii) is prepared in accordance with IFRS, consistently applied, and certified for and on behalf of the Issuer as presenting fairly, in all material respects, its financial condition as at the end of the period to which those financial statements relate and its results of operations for such period; and

(iv) all information sent to the Fiscal Agent and made available on the Issuer's website pursuant to this Condition 6.6 is in the English language or accompanied by a certified translation thereof; and

(c) promptly upon sending any financial statements to the Fiscal Agent pursuant to Condition 6.6(a)(i) and (ii), and in any event within five Business Days of sending such information, make such information available on the Issuer's website.

6.7 Rule 144A Information Requirements

So long as any Notes are outstanding and are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish upon the request of a Noteholder or a beneficial owner of an interest therein to such Noteholder or the beneficial owner or to a prospective purchaser of Notes designated by such Noteholder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act and will otherwise comply with the requirements of Rule 144A under the Securities Act, if at the time of such request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3 2(b) thereunder.

6.8 Compliance Certificate

So long as any Note remains outstanding, the Issuer shall supply to the Fiscal Agent a certificate signed by two directors of the Issuer (a "**Compliance Certificate**"), together with each set of financial statements supplied by it in accordance with Condition 6.6 (*Financial Information*), which Compliance Certificate shall confirm compliance as at the date thereof by the Issuer of each of the covenants set out in this Condition 6 (*Negative Pledge and Covenants*).

7. FIXED RATE NOTE PROVISIONS

7.1 Application for Fixed Rate Notes

This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.

7.2 Rate of Interest for Fixed Rate Notes

The Notes bear interest on the outstanding principal amount from the Interest Commencement Date at the rate(s) per annum equal to Rate(s) of Interest payable in arrear on each Interest Payment Date in each year and on the Maturity Date if that does not fall on Interest Payment Date, subject as provided in Condition 11 (*Payments*). The amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

7.3 Calculation of Interest Amounts for Fixed Rate Notes

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Terms and Conditions "sub unit" means, with respect of any currency other than the U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to U.S. dollars means one cent.

7.4 Additional Definitions

For the purposes of these Terms and Conditions, "**Day Count Fraction**" means:

(a) if "Actual/Actual (ICMA)" is specified in the relevant Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

For the purposes of Condition 7.4(a), "**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30 day months) divided by 360.

8. FLOATING RATE NOTE PROVISIONS

8.1 Application for Floating Rate Notes

This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions.

8.2 Interest Payment Dates

The Notes bear interest on the outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(a) the Specified Interest Payment Date(s) (each, an "**Interest Payment Date**") in each year specified in the relevant Final Terms; or

(b) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.3 Rate of Interest for Floating Rate Notes

The Rate of Interest payable from time to time in respect of the Notes shall be determined in the manner specified in the relevant Final Terms.

(a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

(i) the offered quotation; or

(ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(b) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.4 Minimum and Maximum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.5 Calculation of Interest Amounts for Floating Rate Notes

The Calculation Agent will, as soon as reasonably practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

8.6 Calculation Agent

If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as reasonably practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.7 Notice

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Fiscal Agent and each listing authority, stock exchange and quotation system (if any) by which the Notes have than been admitted to listing, trading and quotation as soon as reasonably practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 19 (*Notices*). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

8.8 Notices Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. ZERO COUPON NOTE PROVISIONS

9.1 Application for Zero Coupon Notes

This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 Redemption Amount Improperly Refused

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(a) the Reference Price; and

(b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. REDEMPTION AND PURCHASE

10.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

10.2 Redemption at the Option of the Issuer

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

(c) on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), at their Tax Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if:

(i) the Issuer certifies to the Fiscal Agent that it has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than:

(A) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 10.2.

So long as any of the Notes are represented by the Global Note Certificates and cleared through DTC, Euroclear and/or Clearstream, Luxembourg, the Issuer shall procure that written notice is given to such clearing systems of any redemption under this Condition 10.2 not less than 5 Business Days prior to the planned redemption date.

10.3 Redemption at the Option of the Noteholders

The Issuer shall, at the option of the holder of any Note, redeem such Note on the applicable Put Event Date at 101% of its principal amount (the "**Put Event Redemption Amount**"), together with interest (if any) accrued to but excluding such date, if a Put Event occurs. Upon the occurrence of a Put Event, the Issuer shall promptly give notice thereof to the Noteholders in accordance with Condition 19 (*Notices*) (such Notice, a "**Put Event Notice**").

In order to exercise the option contained in this Condition 10.3, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Put Event Date, deposit with any Paying Agent such Note together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.3, may be withdrawn; provided, however, that if, prior to the relevant Put Event Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Put Event Date, payment of the redemption moneys is improperly withheld or refused, the Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10.3, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

So long as any of the Notes are represented by the Global Note Certificates and cleared through DTC, Euroclear and/or Clearstream, Luxembourg, the Issuer shall procure that written notice is given to such clearing systems of any redemption under this Condition 10.3 not less than 15 Business Days prior to the planned redemption date.

10.4 No Other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10.1 (*Final Redemption*) to 10.3 (Redemption at the Option of the Noteholders) inclusive.

10.5 Redemption Amount for Zero Coupon Notes

The Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(a) the Reference Price; and

(b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10.5 or, if none is so specified, a Day Count Fraction of 30E/360.

10.6 Purchase and Cancellation

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the Securities Act or, in the case of any Notes resold pursuant to Rule 144A, is only made to QIBs or surrendered for cancellation, at the option of the Issuer. Any Notes so purchased, while held by or on behalf of the Issuer or any Person acting on behalf of the Issuer, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

11. PAYMENTS

11.1 Payments

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent or of the Registrar by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euros, any other account to which Euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2 Record Date

Payments of interest shall, subject to Condition 11.4 (*Payment Business Day*), be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

11.3 Payments Subject to Applicable Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 Payment Business Day

If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

12. TAXATION

12.1 Payments Free and Clear of Taxes

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

(a) by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Kazakhstan other than the mere holding of such Note; or

(b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union.

In addition, if and to the extent that the obligations of the Issuer, to pay additional amounts pursuant to this Condition 12 are or have become illegal, unenforceable or otherwise invalid, the Issuer will indemnify and hold harmless each holder of a Note from and against, and will, upon written request of a holder and presentation of reasonable supporting documentation, reimburse each such holder for, the amount of any Taxes withheld or deducted from, or paid by such holder in respect of, payments made under or with respect to the Notes or the Trust Deed and which would not have been withheld, deducted or paid had the said obligations not been or become illegal, unenforceable or otherwise invalid. Solely for purposes of these Terms and Conditions, any payment made pursuant to this paragraph shall be considered an additional amount.

12.2 Other Taxing Jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than Kazakhstan, references in these Terms and Conditions to Kazakhstan shall be construed as references to Kazakhstan and such other jurisdiction.

12.3 FATCA

Notwithstanding anything to the contrary in this Condition 12, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and the regulations promulgated thereunder ("**FATCA**"), the laws of Kazakhstan implementing FATCA or any agreement between the Issuer and the United States or any authority thereof entered into for FATCA purposes.

13. EVENTS OF DEFAULT

The Fiscal Agent shall upon receipt of written requests from the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Issuer that the Notes are and they shall immediately become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

13.1 *Non-payment:* the Issuer fails to pay any of the principal of any of the Notes when the same becomes due and payable either at maturity, upon redemption, by declaration or otherwise or the Issuer is in default with respect to the payment of interest or any additional amounts on any of the Notes and such default in respect of interest or additional amounts continues for a period of five days; or

13.2 *Breach of other Obligations:* the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes, the Deed of Covenant or the Fiscal Agency Agreement (other than a default or breach elsewhere specifically dealt with in this Condition 13) and such default or breach is not remedied within 30 days after notice thereof has been given to the Issuer at the Specified Office of the Fiscal Agent by any holder of Notes; or

13.3 *Cross Default:* (a) any Indebtedness for Borrowed Money of the Issuer or any Material Subsidiary (i) becomes (or becomes capable of being declared) due and payable prior to the due date for payment thereof by reason of a default of the Issuer or Material Subsidiary (howsoever described) or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (b) any Indebtedness Guarantee given by the Issuer or any Material Subsidiary in respect of Indebtedness for Borrowed Money of any other Person is not honoured when due and called, provided that the aggregate principal amount of such Indebtedness for Borrowed Money exceeds U.S.$20,000,000 (or its equivalent in other currencies); or

13.4 *Insolvency or Bankruptcy:* (a) any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (b) the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or fiscal agent or assignee in bankruptcy or liquidation of the Issuer or any Material Subsidiary, as the case may be, or in respect of its property or substantially all thereof, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admits its inability to pay its debts generally as they become due or shall be insolvent or bankrupt or the Issuer or any Material Subsidiary shall commence proceedings with a view to the general adjustment of its Indebtedness; or

13.5 *Enforcement proceeding:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a substantial part of the property, assets or revenues of the Issuer or Material Subsidiary and is not discharged or stayed within 60 days; or

13.6 *Security enforced:* any Security Interest, present or future, created or assumed by the Issuer or Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and the aggregate amount secured by any such Security Interests so enforced exceeds U.S.$20,000,000 (or its equivalent in other currencies); or

13.7 *Judgments:* a final judgment or judgments for the payment of money have been entered by a court or courts of competent jurisdiction against the Issuer or Material Subsidiary and remain undischarged for a period of at least 60 days without stay of execution of the relevant judgment or judgments during the period and the aggregate amount of all such judgments at any time outstanding (to the extent not paid or to be paid by insurance) exceeds U.S.$20,000,000 or the equivalent in any other currency (for this purpose, any deductibles, self-insurance or retention shall not be treated as covered by insurance); or

13.8 *Winding-Up:* an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or Material Subsidiary or the Issuer or Material Subsidiary ceases to carry on all or substantially all of its business or operations, except (i) on terms approved by an Extraordinary Resolution; (ii) in the case of a Material Subsidiary, where the assets and undertakings of such Material Subsidiary are transferred to or are otherwise vested in another wholly-owned Subsidiary of the Issuer or the Issuer; or (iii) pursuant to a Permitted Restructuring; or

13.9 Analogous events: any event occurs, which, under the laws of the Republic of Kazakhstan, has an analogous effect to any of the events referred to in paragraphs 13.4 (Insolvency) to 13.8 (Winding-Up) above; or

13.10 *Maintenance of Business:* the Issuer fails to take any action as is required of it under any applicable regulations in Kazakhstan or otherwise to maintain in effect its corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations and such failure is not remedied within 30 days after notice thereof has been given to the Issuer; or

13.11 *Authorisations and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration, the entering into of all necessary agreements or other documents and the compliance in all material respects with any applicable laws or regulations (including any foreign exchange rules or regulations)) which is at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, the Fiscal Agency Agreement and the Deed of Covenant or (ii) to ensure that those obligations are legally binding and enforceable, is not done, lapses and is not renewed or is cancelled or otherwise ceases to be maintained in full force and effect; or

13.12 *Invalidity or Unenforceability:* (a) the validity of the Notes, the Fiscal Agency Agreement or the Deed of Covenant is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes, the Fiscal Agency Agreement or the Deed of Covenant (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (b) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Fiscal Agency Agreement or the Deed of Covenant or (c) all or any of its obligations set out in the Notes, the Fiscal Agency Agreement or the Deed of Covenant shall be or become unenforceable or invalid;

13.13 *Government Intervention:* (a) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (b) the Issuer or any Material Subsidiary is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

13.14 *Moratorium:* the Republic of Kazakhstan takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an agreement or composition with or for the benefit of its creditors or a moratorium is declared in respect of the payment of any class of obligations of the Republic of Kazakhstan (such payment being due in a currency other than the lawful currency for the time being of the Republic of Kazakhstan).

14. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

15. REPLACEMENT OF NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Fiscal Agency Agreement), subject to all applicable laws and listing authority, stock exchange or quotation system requirements (if any), upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

16. AGENTS

16.1 Agents of the Issuer

In acting under the Fiscal Agency Agreement and in connection with the Notes, the Fiscal Agent acts solely as agent of the Issuer. The Fiscal Agent does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

16.2 Requirements to Maintain Agents

The initial Fiscal Agent, Transfer Agent and Registrar and their respective initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and to appoint a successor Fiscal Agent, Transfer Agent, Registrar or Calculation Agent and additional or successor agents; provided, however, that:

(a) the Issuer shall at all times maintain a Fiscal Agent;

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;

(c) if and for so long as the Notes are admitted to listing, trading or quotation, by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system;

(d) the Issuer shall maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(e) the Issuer shall maintain a Registrar whose Specified Office shall be outside the United Kingdom.

Notice of any change in any of the Agents or their respective Specified Offices shall promptly be given to the Noteholders.

17. MEETINGS OF NOTEHOLDERS; MODIFICATION; WAIVER AND ENFORCEMENT

17.1 Meetings

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Terms and Conditions or the Fiscal Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

17.2 Modification of the Fiscal Agency Agreement

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of the provisions of the Fiscal Agency Agreement, the Deed of Covenant, of the Notes or the Terms and Conditions that is of a formal, minor or technical nature or is made to correct a manifest error.

18. FURTHER ISSUES AND CONSOLIDATION

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes of a particular Series in all respects (or in all respects except for the issue price, issue date and first payment of interest) so as to form a single series with the Notes of a particular Series, provided however that, unless such further notes are issued pursuant to a qualified reopening for U.S. federal income tax purposes, such further notes will be issued with a separate CUSIP and ISIN. The Fiscal Agency Agreement contains provisions for convening a single meeting of the Noteholders of a particular Series and the holders of Notes of other Series.

The Issuer may, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), from time to time on any Interest Payment Date occurring on or after the Redenomination Date (as defined in Condition 22 (*Redenomination*)) on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 19 (*Notices*), without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euros, provided such other Notes have been redenominated in Euros (if not originally denominated in Euros) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

19. NOTICES

Notices to Noteholders will be sent to them by first class mail (or equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. While Notes are listed on the Irish Stock Exchange notices to Noteholders will be valid, for so long as the Notes are admitted to trading on the Irish Stock Exchange, when such notice is filed in the Companies Announcement Office of the Irish Stock Exchange.

So long as any of the Notes are represented by the Global Note Certificates, notices required to be published in accordance with Condition 19 (*Notices*) may be given by delivery of the relevant notice to DTC, Euroclear and Clearstream, Luxembourg (as applicable) for communication by them to the relevant accountholders, provided that such notice is also delivered to the Stock Exchange. A notice will be deemed to have been given to holders if such notice is sent to the clearing systems for publication to Holders.

20. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or any order, award or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Terms and Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, award judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. ROUNDING

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in these Terms and Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005%, being rounded up to 0.00001%), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up) and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. REDENOMINATION

22.1 Redenomination

This Condition 22 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

22.2 Redenomination Date

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Fiscal Agent and the Noteholders, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

22.3 Calculation of Redenominated Notes

Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

(a) the Notes shall be deemed to be redenominated into Euros in the denomination of Euros 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified

Currency, converted into Euros at the rate for conversion of such currency into Euros established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the re denomination into Euros 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange or quotation system (if any) by which the Notes have then been admitted to listing, trading or quotation and the Fiscal Agent of such deemed amendments;

(b) if Notes have been issued in definitive form:

(i) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 22) shall remain in full force and effect; and

(ii) new Notes denominated in Euros will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

(c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euros, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euros by cheque drawn on, or by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

22.4 Calculation of Interest on redenominated Definitive Note Certificates

Following redenomination of the Notes pursuant to this Condition 22, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes held by the relevant holder.

22.5 Change of Interest Determination Date

If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

23. GOVERNING LAW AND ARBITRATION

23.1 Governing Law

The Notes, and any non contractual obligations arising out of or in connection with the Notes, are governed by, and shall be construed in accordance with, English law.

23.2 Arbitration

The Issuer and the Noteholders agree that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non contractual obligations arising out of or in connection with the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules (the "**Rules**") of the LCIA as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, each of whom shall be a lawyer experienced in international finance transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly one arbitrator; and a third arbitrator, who shall act as Chairman, shall be nominated by the two party nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second-party nominated arbitrator, such third arbitrator shall be appointed by the LCIA court. Any arbitrator, including the Chairman, may be of the same nationality as any of the parties. Any requirement in the Rules to take account of the nationality of a person considered for appointment as an arbitrator shall be disapplied and a person shall be nominated or appointed as an arbitrator (including as Chairman) without regard to her or his nationality. The seat of arbitration shall be London, England and the language of arbitration shall be English.

23.3 **Process Agent**

The Issuer agrees that the process by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 23.2 (*Arbitration*) may be served on it by being delivered to Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX, England or, if different, its registered office for the time being or at any address of the Issuer or in Great Britain at which process may be served on it. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer or and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

23.4 **Consent to Enforcement**

The Issuer has consented generally in respect of any proceedings to the giving of any relief or the issue of any process in connection with such proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award which may be made or given in such proceedings.

24. WAIVER OF IMMUNITY

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from jurisdiction, suit, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer has irrevocably consented to the enforcement of any judgment or award, agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

25. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

Final Terms dated [●]

JOINT STOCK COMPANY «KAZAGRO» NATIONAL MANAGEMENT HOLDING

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.$2,000,000,000 Debt Issuance Programme

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 6 May 2014 [and the Base Prospectus Supplement dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC as amended by Directive 2010/73/EU) (the "**Prospectus Directive**"). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].][1] Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental base prospectus] [is] [are] available for viewing during normal business hours at the specified office of the Fiscal Agent and www.ise.ie and copies may be obtained from [●].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1.	Issuer:	Joint Stock Company «KazAgro» National Management Holding
2.	[(i)] Series Number:	[●]
	[(ii)] Tranche Number:	[●]
		[*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount of Notes:	
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
5.	Issue Price:	[●]%, of the Aggregate Nominal Amount [plus accrued interest from [insert date (if applicable)]
6.	(i) Specified Denomination(s):	[●] *(Subject as provided below in respect of Notes of which the issue proceeds are to be accepted in the United Kingdom the Specified Denomination must be a minimum denomination of €100,000 (or its equivalent in other currencies).*

[1] This statement will be removed in the case of a listing on the Kazakhstan Stock Exchange

		[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of s. 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]
	(ii) Calculation Amount:	[●]
7.	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date:	[●]
8.	Maturity Date:	*[Specify date, or (for Floating Rate Notes) Interest Payment Date falling on or nearest to the relevant month and year]*
9.	Interest Basis:	[[●] % Fixed Rate]
		[LIBOR / EURIBOR] +/- [●]% Floating Rate]
		[Zero Coupon]
		(further particulars specified in paragraphs [●] below)
10.	Redemption Amount/Payment Basis:	[Redemption at par]
	Final Redemption Amount:	[●]
11.	Put/Call Options:	[Applicable / Not Applicable]
		(further particulars specified in paragraphs 16 and 17 below)
	Status of the Notes:	Senior
12.	Date [Board] approval for issuance of Notes obtained:	[●] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Rate[(s)] of Interest:	[●]% per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
	Interest Payment Date(s):	[●] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/ not adjusted]
	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]

	Day Count Fraction:	[Action/365 / Actual/Actual(ISDA) / Actual/365(Fixed) / Actual/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / Actual/Actual(ICMA)/ 30/360]
	Interest Determination Date(s):	[●] in each year *(insert regular Interest Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).*
14.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Specified Period(s):	[●]
	Specified Interest Payment Dates:	[●]
	First Interest Payment Date:	[●]
	Business Day Convention:	[FRN Convention/Floating Rate Convention/ Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/ Preceding Business Day Convention/No Adjustment]
	Business Centre(s):	[●]
	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination]
	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying and Transfer Agent]):	[●]
	Screen Rate Determination:	
	- Reference Rate:	[[●] month LIBOR/EURIBOR]
	- Interest Determination Date(s):	[●]
	- Relevant Screen Page:	[●]
	- Reference Banks:	[●]
	ISDA Determination:	
	- Floating Rate Option:	[●]
	- Designated Maturity:	[●]
	- Reset Date:	[●]
	Margin(s):	[+/-][●]% per annum
	Minimum Rate of Interest:	[●]% per annum
	Maximum Rate of Interest:	[●]% per annum

	Day Count Fraction:	[Action/365 / Actual/Actual(ISDA) / Actual/365(Fixed) / Actual/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / Actual/Actual(ICMA)]
15.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	[Amortisation Yield /Accrual Yield]:	[●]% per annum
	Reference Price:	[●]

PROVISIONS RELATING TO REDEMPTION

16.	Call Option:	[Applicable/Not Applicable]
17.	Put Option:	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

18.	Form of Notes:	[*specify amount of the Regulation S/Rule 144A Global Notes*] Registered Global Notes exchangeable for Definitive Note Certificates in the limited circumstances specified in the Global Note.
19.	Financial Centre(s):	[*Not Applicable/give details.*]
	Redenomination:	[Applicable/Not Applicable]
	Calculation Agent:	[●]

DISTRIBUTION

(i)	If syndicated, names of Managers:	[Not Applicable/give *names*]
(ii)	Stabilising Manager(s) (if any):	[Not Applicable/give *names*]
	If non-syndicated, name of Dealer:	[Not Applicable/give *names*]

LISTING AND ADMISSION TO TRADING APPLICATION

[Application has been made to the [Irish] Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from [●].] These Final Terms comprise the final terms required for issue and admission to trading on the [Irish] Stock Exchange of the Notes described herein pursuant to the U.S.$2,000,000,000 Debt Issuance Programme of Joint Stock Company «KazAgro» National Management Holding.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms, *[(Relevant third-party information)* has been extracted from *[(specify source)]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *[(specify source)]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1. LISTING

(i) Listing	[Irish Stock Exchange [and Kazakhstan Stock Exchange] / None]
(ii) Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [ ] with effect from [●].] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
(iii) Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[*Insert credit rating agency*] is established in the European Union and is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, [*insert credit rating agency*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.] [[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). [*Insert credit rating agency*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.] [[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No.1060/2009, as amended (the "**CRA Regulation**") but the rating issued by it [have been]/[are expected to be] endorsed by [*insert endorsing credit rating agency*] which is established in the European Union and is registered under the CRA Regulation. As such, [*insert endorsing credit rating agency*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.] [[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") but it is certified in accordance with the CRA Regulation and it is included in the list of

credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the Issue has been specifically rated, that rating*.)

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in [*Subscription and Sale*]*, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."*]

[4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer:	[●] (*See General Information — Use of Proceeds wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)
[(ii)] Estimated net proceeds:	[●] after deduction of management and underwriting commissions and fees and expenses of the Lead Managers' and the Issuer's legal advisers. (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
[(iii) Estimated total expenses:	[●] including fees and expenses of the Lead Managers' and the Issuer's legal advisers (but excluding the management and underwriting commissions). [*Include breakdown of expenses.*]

[5. Fixed Rate Notes only—YIELD

Indication of yield:	[●] [The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. OPERATIONAL INFORMATION

ISIN Code (Reg S Notes):	[●]
ISIN Code (Rule 144A Notes):	[●]
Common Code (Reg S Notes):	[●]
Common Code (Rule 144A Notes):	[●]
CUSIP (Rule 144A Notes):	[●]

SUMMARY OF THE PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

Each Series of Notes will be evidenced on issue by a Rule 144A Global Note deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Rule 144A Global Note may only be held through DTC at any time. See "— *Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U.S. person, it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only in accordance with the procedures and restrictions contained in the Fiscal Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement and, with respect to a Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in that Regulation S Global Note and become an interest in the corresponding Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in that Rule 144A Global Note and become an interest in that Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Note Certificates**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by or to the order of the Registrar or such other paying agent as shall have been notified to the relevant Noteholders for such purpose and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Registrar or such other paying agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

Record Date

Condition 11.2, which defines "**Record Date**", shall be amended in relation to Global Notes to the effect that Record Date shall mean the close of business on the Payment Business Day immediately preceding the relevant Interest Payment Date.

Notices

So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes *provided, however, that,* so long as the Notes are listed on a Stock Exchange and its rules so require, notices will also be filed in accordance with the rules of such Stock Exchange.

Meetings

The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.$1,000 (or its equivalent in other currencies) principal amount of Notes for which the relevant Global Note may be exchangeable.

Purchase and Cancellation

Cancellation of any Note required by the Terms and Conditions to be cancelled following its purchase shall be effected by reduction in the principal amount of the applicable Global Note.

Redemption at the Option of the Issuer

Any Call Option provided for in the Terms and Conditions of the Notes shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

Redemption at the Option of Noteholders

Any Put Option provided for in the Terms and Conditions of the Notes may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Terms and Conditions of the Notes substantially in the form of the notice available from the Registrar, the Fiscal Agent or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar, the Fiscal Agent or any Transfer Agent at its specified office.

Exchange for Definitive Note Certificates

Exchange

Notes initially represented by a Rule 144A Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Rule 144A Definitive Note Certificates (i) if the Rule 144A Global Note is held by or on behalf of DTC and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Holder giving notice to the Registrar or Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

Notes initially represented by a Regulation S Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Regulation S Definitive Note Certificates (i) if the Regulation S Global Note is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the Holder giving notice to the Registrar or Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar. In exchange for the relevant Global Note, as provided in the Fiscal Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Note Certificates in or substantially in the form set out in the relevant schedule to the Fiscal Agency Agreement.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or Transfer Agent is located.

Delivery of Definitive Note Certificates

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and, in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Note Certificates issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note Certificate, the Issuer will deliver only Rule 144A Definitive Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Registrar that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. The Issuer agrees not to remove from the Definitive Note Certificates bearing the Rule 144A Legend such Rule 144A Legend appearing thereon for as long as the Issuer relies on Section 3(c)(7) of the Investment Company Act.

Book Entry Procedures for the Global Notes

For each Series of Notes evidenced by a Rule 144A Global Note, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book Entry Ownership*" and "*—Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Exchange for Definitive Note Certificates*", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

A Global Note representing the Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855 Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have a CUSIP number, unless otherwise agreed, and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any other Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement system in same day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre Issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the relevant closing date, which could be more than three business days following the date of pricing. Under Rule 15c6 l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

TAXATION

The following is a general description of certain material tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

United States Federal Income Taxation

The following is a summary of material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a Holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant supplemental prospectus or series prospectus will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to Holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt organisations, dealers or traders in securities or currencies, persons that mark their securities to market, Holders that will hold Notes through a partnership or other pass through entity, Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, controlled foreign corporations, passive foreign investment companies, U.S. Holders (as defined below) that have a functional currency other than the U.S. Dollar, or certain expatriates and long-term residents of the United States, or U.S. Holders subject to the tax on "net investment income" imposed under Section 1411 of the Code. Moreover, this summary does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not include any description of the tax laws of any U.S. State or local governments. This summary only addresses the U.S. federal income tax treatment of Holders that acquire Notes as part of the initial distribution of a particular offering at their initial issue price (as defined below).

This summary is based on the Internal Revenue Code of 1986 (the "**Code**"), as amended, existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant supplemental prospectus or series prospectus.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor concerning the U.S. federal income tax consequences of the acquisition, ownership or disposition of Notes by the partnership.

A Non-U.S. Holder is a beneficial owner of Notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATON ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Treasury Department Circular 230 Disclosure

Pursuant to Treasury Department Circular 230, investors are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the promotion or marketing of the Notes. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

U.S. Holders

Classification of the Notes

While the Issuer has not received an opinion of counsel on the classification of the Notes as indebtedness for U.S. federal income tax purposes, the Issuer believes the Notes should be considered debt and intends to treat the Notes as debt for U.S. federal income tax purposes (unless provided otherwise in the relevant Final Terms or any supplement to this Base Prospectus). This summary is based upon the assumption that the Notes are characterised as indebtedness for U.S. federal income tax purposes. The determination of whether an obligation represents debt, equity or some other instrument or interest is based on all the relevant facts and circumstances. There may be no statutory, judicial or administrative authority directly addressing the appropriate characterisation of the Notes, and no rulings have been or will be sought from the Internal Revenue Service ("**IRS**") with respect to the appropriate characterisation of the Notes for U.S. federal income tax purposes. It is possible that the IRS might contend that the Notes should be treated not as indebtedness of the Issuer but as equity of the Issuer. Additional alternative characterisations may also be possible. Further possible characterisations, if applicable, may be discussed in any supplemental prospectus or series prospectus. Prospective purchasers of the Notes should consult their own tax advisers about the consequences in the event the Notes are treated as equity of the Issuer, or any other characterisation for U.S. federal income tax purposes and the consequences of acquiring, owning or disposing of Notes.

Interest

Except as set forth below, interest paid on a Note (including any additional amounts paid thereon), whether payable in U.S. Dollars or a currency, composite currency or basket of currencies other than U.S. Dollars (a "**foreign currency**"), including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income at the time it is received or accrued, in accordance with the U.S. Holder's usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes. For purposes of calculating the U.S. Holder's foreign tax credit limitation, interest on the Notes should generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income". The U.S. federal income tax rules relating to foreign tax credits and limitations thereof are complex and may vary depending on the facts and circumstances of each U.S. Holder. Accordingly, U.S. Holders should consult their own tax advisers regarding the availability of a foreign tax credit for foreign taxes withheld under such U.S. Holder's particular situation.

Foreign Currency Denominated Interest

Except as set forth below, if any interest payment, including any additional amounts, is denominated in, or determined by reference to, a foreign currency (a "**Foreign Currency Note**"), the amount of income recognized by a U.S. Holder will be the U.S. Dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S Dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. Dollar value of accrued interest income using the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, that part of the accrual period within the taxable year. Alternatively, at the U.S. Holder's election, the U.S. Holder may determine the U.S. Dollar value of accrued interest income using the spot rate of exchange on the last day of the accrual period (or, with respect of an accrual period that spans two taxable years, the exchange rate in effect on the last day within the taxable year) or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognise foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date of payment is received differs from the rate applicable to an accrual of that interest.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("**OID**" and such Notes, "**Original Issue Discount Notes**"), including zero coupon notes, will be subject to special tax accounting rules, as described in greater detail below. Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. Dollar are described under Foreign Currency Discount Notes below.

The following discussion does not address the application of the U.S. Treasury Regulations addressing OID to, or address the U.S. federal income tax consequences of, an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments the relevant supplemental prospectus or series prospectus will describe the principal U.S. federal income tax consequences thereof.

For U.S. federal income tax purposes, a Note (including a zero coupon note), other than a Note with a term of one year or less (a "**Short term Note**"), will be treated as issued with OID if the excess of the Note's stated redemption price at maturity over its initial issue price equals or exceeds a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The initial "issue price" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant supplemental prospectus or series prospectus if it is determined that a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with *de minimis* OID, a U.S. Holder of such Note will recognize capital gain with respect to any *de minimis* OID as stated principal payments on the Note are made. The amount of such gain with respect to each principal payment will equal the product of the total amount of the Note's *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Note

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income in advance of the receipt of some or all of the related cash payments. The amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

Certain of the Notes may be redeemed prior to their maturity at the Issuer's option and/or at the option of the Holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant supplemental prospectus or series prospectus and should consult their own tax advisors with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

Floating Rate Notes are subject to special OID rules. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate

Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant supplemental prospectus and should consult their own tax advisors regarding the U.S. federal income tax consequences of the holding and disposition of such Notes. See the discussion below in "—Variable Rate Debt Instruments" regarding special rules that apply to Variable Rate Debt Instruments.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisors about this election.

Variable Rate Debt Instruments

Generally, a Floating Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Floating Rate Note by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date or (ii) 15 percent of the total noncontingent principal payments, (b) it does not provide for stated interest other than stated interest that pays or compounds at least annually at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) each qualified floating rate or objective rate taken into account in stated interest that is in effect at any time during the term of the Note is set at a current value of that rate (i.e., the value of the rate on any day that is no earlier than three months prior to the first day on which the value is in effect and no later than one year following that first day).

A "qualified floating rate" is any variable rate where (a) variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated, or (b) the rate is equal to such a rate multiplied by either a fixed multiple that is greater than 0.65 but not more than 1.35, or a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes together will constitute a single qualified floating rate. Two or more qualified floating rates will be presumed to meet the requirements of the previous sentence if the values of all rates on the issue date are within 25 basis points of each other. A variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or, as of the Issue Date, are not reasonably expected to significantly affect the yield on the Note.

An "objective rate" is a rate that (a) is not a qualified floating rate and (b) the rate is determined using a single fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party. Despite the foregoing, a variable rate of interest on Floating Rate Notes will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Floating Rate Notes' term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Notes' term. A "qualified inverse floating rate," is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, and the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Generally, if a Floating Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by interest at a variable rate that is a single qualified floating rate or a single objective rate, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. If the Notes pay interest at a single objective or a single qualified floating rate, the amount of original issue discount, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date, of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for such Floating Rate Note.

If a Floating Rate Note that is a variable rate debt instrument does not provide for stated interest at a single qualified floating rate or single objective rate and does not provide for interest payable at a fixed rate, the amount of qualified stated interest and original issue discount on the Note are generally determined by (a) determining a fixed rate substitute for each variable rate provided under the Floating Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the yield that is reasonably expected for the Note), (b) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above), (c) determining the amount of qualified stated interest and original issue discount with respect to the equivalent fixed rate debt instrument (by applying the general original issue discount rules as described in "—Original Issue Discount") and (d) making the appropriate adjustment for actual variable rates during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than a single fixed rate for an initial period), a U.S. Holder generally must determine the amount of interest and original issue discount accruals by using the method described in the preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate, if the Note provides for a qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for a qualified floating rate (or qualified inverse floating rate) rather than a fixed rate.

Short-Term Notes

In the case of Short term Notes, under the OID regulations, in general, individuals and certain other cash method U.S. Holders of a Short term Note are not required to include accrued discount in their income currently unless the U.S. Holder elects to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short term Note will generally be ordinary income to the extent of the discount accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "Foreign Currency Denominated Interest" above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note with "amortizable bond premium" equal to such excess. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method over the term of the Note. If a U.S. Holder makes this election, it will be reduce the amount required to be included in income each year with respect to interest on the Note by an amount of the amortizable bond premium allocable to that year, and the U.S. Holder must reduce its tax basis in the Note by the amount of the premium used to offset qualified stated interest. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency, and amortisable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realised measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules limit the amortisation of premium in the case of debt that is redeemable at a premium. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Sale, Exchange or Retirement or Other Disposition

A U.S. Holder generally will recognise gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale, exchange or retirement for an amount in foreign currency will be the U.S. Dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale.

A U.S. Holder's tax basis in a Note generally will be its U.S. Dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. Dollar cost of a Note purchased with a foreign currency generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

Gain or loss recognised on the sale, exchange, retirement or other disposition of a Note (other than gain or loss that is attributable to accrued but unpaid stated interest or OID (which will be taxed as described above in "*Interest*"), or to changes in exchange rates (which will be taxed as described below in "*Sale, Exchange, Retirement or Other Disposition of Foreign Currency*") will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. Gain or loss realised by a U.S. Holder on the sale, exchange, retirement or other disposition of a Note generally will be U.S. source income or loss. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their tax advisers as to the foreign tax credit implications of such sale, exchange, retirement or other disposition of Notes

Sale, Exchange, Retirement or Other Disposition of Foreign Currency

A U.S. Holder will have a tax basis in any foreign currency received as interest on a Note or on the sale, exchange or retirement of a Note equal to its U.S. Dollar value at the time such interest is received or at the time of such sale or retirement. A cash method U.S. Holder who buys or sells a Foreign Currency Note is required to translate units of Foreign Currency paid or received into U.S. Dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method U.S. Holder may elect the same treatment for all purchases or sales of Foreign Currency Notes provided that the Foreign Currency Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. Dollars or its use to purchase Notes) generally will be ordinary income or loss.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to Holders of high interest Notes, low interest Notes, step up Notes, step down Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set forth, if required, in the relevant supplemental prospectus or series prospectus.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S. $50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amount for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty of up to U.S. $10,000 in the case of a natural person and U.S.$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Notes.

Foreign Asset Reporting

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under the caption "*U.S. Backup Withholding Tax and Information Reporting*," any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

For non-corporate U.S. Holders, information reporting requirements will apply to payments of principal and interest on the Notes, in each case, if such payments are made within the United States or paid by or through a custodian, nominee or other agent that is a United States Controlled Person, as defined below. Backup withholding will apply to such payments for a non-corporate U.S. Holder that (i) fails to provide an accurate taxpayer identification number, (ii) in the case of interest payments, fails to certify that such Holder is not subject to backup withholding, or (iii) is notified by the IRS that such Holder has failed to report all interest and dividends required to be shown on United States federal income tax returns.

For Non-U.S. Holders, backup withholding and information reporting generally will not apply to payments of principal and interest on the Notes, but such Holders may be required to comply with certification and identification procedures or otherwise establish an exemption. If Non-U.S. Holders are paid proceeds of a sale or redemption of Notes effected at the United States office of a broker, such Holders generally will be subject to the information reporting and backup withholding rules described in the preceding sentence. In addition, the information reporting rules will apply to payments of proceeds of a sale effected at a foreign office of a broker that is a United States Controlled Person, unless the broker has documentary evidence that such Holder is not a United States person (and has no actual knowledge or reason to know to the contrary) or the Holder otherwise establishes an exemption.

A "United States Controlled Person" is: (i) a United States person; (ii) a controlled foreign corporation for United States federal income tax purposes; (iii) a foreign person 50% or more of whose gross income is derived for United States federal income tax purposes from a United States trade or business for a specified three-year period; or (iv) a foreign partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in a United States trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Holder of Notes generally will be allowed as a refund or a credit against such Holder's United States federal income tax liability as long as such Holder provides the required information to the IRS.

Kazakhstan Taxation

Kazakhstan Taxation

Payments of principal on the Notes are not subject to Kazakhstan taxation. Payments of interest on the Notes included in the official list of a Kazakhstan stock exchange are not subject to taxation in Kazakhstan. Capital gains realised by non-resident holders on sale of the Notes on a Kazakhstan or foreign stock exchange are not subject to taxation in Kazakhstan provided the Notes are listed in such stock exchange. Capital gains realised by Kazakhstan holders from sale of the Notes on a foreign stock exchange are subject to personal income tax (10%) or corporate income tax (20%) in Kazakhstan.

There are no stamp duties or registration or other taxes payable in Kazakhstan in connection with the transfer of any Notes.

The Code of the Republic of Kazakhstan dated 10 December 2008 No.99-IV "On Taxes and Other Obligatory Payments to the State Budget" ("**Tax Code**") recognizes the Notes as a special type of debt securities determined by the Kazakhstan law. Kazakhstan taxes might be applicable with regards to "interest" or "capital gain" on sale, disposal or transfer of the Notes as follows.

A. Taxation of interest

With regards to the Notes the term "interest" includes all kinds of payments to a holder of debt securities in the form of a discount or coupon.

The Issuer will not be obliged to withhold Kazakhstan income tax from:

(i) interest on the Notes included at the date of accrual of such interest into the official list of a stock exchange operating in Kazakhstan (Article 143.2(3) and Article 193.5(5)of the Tax Code). The said exemption equally applies to interest paid to both residents and non-resident holders;

(ii) interest on the Notes payable to organizations engaged in professional activities in the securities market or paid to other legal entities through organizations engaged in professional activities in the securities market (Article 143.2(11) of the Tax Code).

B. Taxation of capital gains

The Tax Code specifies that capital gains on sale of the Notes should be determined as a positive difference between sale price of the Notes (excluding coupon) and initial purchase price of the Notes including amortization of coupon or premium at the selling date. Different requirements might be applicable in case of contribution of the Notes to a charter capital of a legal entity, or in case of disposal as a result of reorganization of a legal entity.

The Tax Code allows exclusion of capital gains resulted from sale of the Notes in open bidding in a Kazakhstan stock exchange from income subject to 20% corporate income tax (Article 133.2(7) of the Tax Code). Losses from sale of the Notes might be carried forward for up to ten years and could be set off against capital gains on other securities (Article 137 of the Tax Code).

Capital gains on the Notes realized by individual holders, residents of Kazakhstan, are not subject to taxation provided that the Notes are sold in open bidding on a Kazakhstan stock exchange (Article 156.1(16) of the Tax Code).

Capital gains realised by Kazakhstan holders (individual and corporate) from the sale of the notes on a foreign stock exchange will be subject to 10% personal income tax or 20% corporate income tax (Article 156.1(16) and Article 133.2(7) of the Tax Code).

Capital gains realized by non-resident holders (individuals and corporate) from the sale of the notes on Kazakhstan or foreign stock exchange are not subject to taxation in Kazakhstan (Article 200-1.1(9) and Article 193.5(8) of the Tax Code).

EU Directive on the Taxation of Savings Income (Directive 2003/48/EC)

Under EC Council Directive (2003/48/EC) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Also, a number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transition withholding) in relation to payments made by a "paying agent" within its jurisdiction to or for an individual in a Member State.

Investors should note that the European Commission has proposed amendments (COM (2008) 727) to the EU Savings Directive. These proposed amendments, if implemented, would extend the scope of the EU Savings Directive so as to treat a wider range of income as similar to interest and to bring payments made through a wider range of collective investment undertakings wherever established (including partnerships) within the scope of the EU Savings Directive. The timing of the implementation of these proposed amendments is not yet known nor is its possible application.

Certain ERISA and Other Considerations

Subject to the following discussion, the Rule 144A Notes may be acquired by "employee benefit plans" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), individual retirement accounts, "Keogh" plans and other plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and entities deemed to hold the assets of the foregoing plans (each, a "**Benefit Plan**"). Among the fiduciary rules in ERISA and the Code are the rules of Section 406 of ERISA and Section 4975 of the Code, which prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan, except and to the extent that a statutory or administrative exemption is available. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and Section 4975 of the Code for such "parties in interest" or "disqualified persons."

The acquisition or holding of the Rule 144A Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Fiscal Agent, the Dealers, the Registrar or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of the Rule 144A Notes by a Benefit Plan, depending on the satisfaction of certain conditions. Even if the conditions specified in one or more exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions, and there can be no assurance that any exemption will be available with respect to any particular transaction involving the Rule 144A Notes. Prospective purchasers that are Benefit Plans should consult with their advisers regarding, among other things, the applicability of the prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or Section 4975 of the Code.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans and certain other plans are not subject to ERISA or Section 4975 of the Code; however, such plans may be subject to other U.S. federal, state, local or non-U.S. laws, regulations or rules that are substantially similar to Section 406 of ERISA or Section 4975 of the Code (each, "**Similar Law**").

By acquiring a Rule 144A Note or any interest therein, each purchaser and transferee thereof will be deemed to have represented, warranted and agreed that either (i) it is not (and for so long as it holds such Rule 144A Note or any interest therein will not be (or be acting on behalf of)) a Benefit Plan or any other plan subject to Similar Law, or (ii) the acquisition, holding and disposition of the Rule 144A Note or any interest therein do not and will not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of any Similar Law.

In the case of a Regulation S Note or any interest therein, each purchaser and transferee thereof will be deemed to have represented, warranted and agreed that it is not and will not be (and is not and will not be deemed, for purposes of

ERISA or Section 4975 of the Code, to be) an employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code.

A plan fiduciary considering the purchase of Rule 144A Notes should consult its legal advisers regarding any issues and their potential consequences to the plan under ERISA, Section 4975 of the Code and Similar Law, as applicable, of an investment in, and the holding of, Rule 144A Notes.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of a beneficial interest in a Rule 144A Note, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) If it is a U.S. person within the meaning of Regulation S, it is (a) a QIB that is also a QP, (b) not a broker dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant directed employee plan, such as a 401(k) plan, (d) acquiring such interest for its own account or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the relevant Rule 144A Note in a principal amount that is not less than U.S.$200,000 (or its equivalent in other currencies) and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book entry depositaries.

(3) It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs each of which is also a QP, each of which is purchasing not less than U.S.$200,000 (or its equivalent in other currencies) in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(4) It understands that the Issuer has the power to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and a QP to sell its interest in the Rule 144A Notes or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.

(5) It understands that its purchase and holding of the Rule 144A Notes or any interest therein constitutes a representation and agreement by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein that either (i) it is not (and for so long as it holds such Note or any interest therein will not be (or be acting on behalf of)) an "employee benefit plan" as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") an individual retirement account, "Keogh" plan or other plan that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or an entity that is deemed to hold the assets of the foregoing plans (each, a "**Benefit Plan**") or any other plan subject to a law, regulation or rule that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("Similar Law"), or (ii) the acquisition, holding and disposition of the Note or any interest therein do not and will not constitute or give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any Similar Law.

(6) It understands that the Rule 144A Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between the Issuer and the Registrar in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS A QUALIFIED PURCHASER ("**QP**") WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS A QP AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$200,000 PRINCIPAL AMOUNT OF NOTES (OR ITS EQUIVALENT IN OTHER CURRENCIES) WHOM THE HOLDER HAS

INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

IF THE BENEFICIAL OWNER HEREOF IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S, SUCH BENEFICIAL OWNER REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS RULE 144A NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.$200,000 IN PRINCIPAL AMOUNT OF RULE 144A NOTES (OR ITS EQUIVALENT IN OTHER CURRENCIES); (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK ENTRY DEPOSITARIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB AND A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A U.S. PERSON WHO IS A QIB AND A QP THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN REPRESENTS AND AGREES THAT AT THE TIME OF PURCHASE AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN THAT (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN WILL NOT BE (OR BE ACTING ON BEHALF OF)) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN AND SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), OR AN INDIVIDUAL RETIREMENT ACCOUNT, "KEOGH" PLAN OR OTHER PLAN THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR AN ENTITY THAT IS DEEMED TO HOLD THE ASSETS OF THE FOREGOING PLANS (EACH, A "**BENEFIT PLAN**") OR ANY OTHER PLAN SUBJECT TO A LAW, REGULATION OR RULE THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DO NOT AND WILL NOT CONSTITUTE OR GIVE RISE TO A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER OF THIS NOTE THAT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S TO CERTIFY PERIODICALLY THAT SUCH BENEFICIAL OWNER IS A QIB AND A QP.

(7) The Issuer, the Registrar, the Dealers and their affiliates and others will rely upon the trust and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes for the account of one or more persons who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

(8) It understands that Rule 144A Notes will be evidenced by Rule 144A Global Notes. Before any interest in Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Regulation S Global Note, it will be required to provide the Registrar or a Transfer Agent, as applicable, with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.

(9) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales, throughout the period that it holds such Regulation S Notes, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred, except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIB each of which is also a QP, each of which is purchasing not less than U.S.$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that Regulation S Notes will be evidenced by one or more Regulation S Global Notes. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Fiscal Agency Agreement) as to compliance with applicable securities laws.

(4) It acknowledges that the Issuer, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(5) It understands that its purchase and holding of the Regulation S Notes constitute a representation and agreement by it that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein it is not and will not be (and is not and will not be deemed, for purposes of ERISA or Section 4975 of the Code, to be) an employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code.

FORM OF THE NOTES

The Notes of each Series will be in registered form, without interest coupons attached. The Notes of each Tranche may only be offered and sold in the United States or to U.S. persons who are both QIBs and QPs in reliance on Rule 144A or in an offshore transaction to a person who is not a U.S. person within the meaning of Regulation S under the Securities Act. The Rule 144A Notes of any Tranche will initially be represented by a Rule 144A Global Note and the Regulation S Notes of any Tranche will initially be represented by a Regulation S Global Note.

Global Notes will either be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg or be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Note Certificates in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Notes shall, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 11 (*Payments*)) as the registered holder of the Global Notes. None of the Issuer, the Fiscal Agent, any Transfer Agent, any Paying Agent or the Registrar shall have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form shall, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 11 (*Payments*)) immediately preceding the due date for payment in the manner provided in that Condition.

TRANSFER OF INTERESTS

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Notes are also subject to the restrictions on transfer set forth herein and will bear a legend regarding such restrictions. See "*Transfer Restrictions*".

GENERAL

Pursuant to the Fiscal Agency Agreement (as defined in "*Terms and Conditions of the Notes*"), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Events of Default*).

SUBSCRIPTION AND SALE

*Notes may be sold from time to time by the Issuer to any one or more of Citigroup Global Markets Limited, HSBC Bank plc, and The Royal Bank of Scotland plc (the "**Arrangers**" and "**Permanent Dealers**"), Tsesna Capital JSC (the "**Kazakh Dealer**") and any other Dealer (as the case may be) appointed under the terms of the Programme Agreement (as defined below). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated programme agreement dated 6 May 2014 (as may from time to time supplemented, amended or restated (the "**Programme Agreement**")) and made between the Issuer and the Dealers. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.*

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that it will not offer, sell or deliver any Notes, (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this and the preceding paragraph have the meanings given to them by Regulation S under the Securities Act. The Programme Agreement provides that the Dealers may directly or through their respective U.S. broker dealer affiliates only, arrange for the offer and resale of Notes within the United States only to QIBs that are QPs in reliance on Rule 144A. See "*Taxation — United States Federal Income Taxation*".

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Dealer has represented and agreed that:

(a) in relation to any Notes which have a maturity of less than a year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Kazakhstan

Each Dealer has agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan except in compliance with the laws of Kazakhstan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Base Prospectus.

No action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any set of Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

Other Relationships

Certain of the Arrangers and Permanent Dealers, the Kazakh Dealer, the Dealers and their respective affiliates have provided from time-to-time in the past, and may provide in the future, investment banking, transaction banking, commercial lending, consulting and financial advisory services to the Issuer for which they have received, and may receive in the future, customary advisory and transaction fees and expense reimbursement.

GENERAL INFORMATION

Listing and Trading

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Programme and is not itself seeking admission of any Notes under the Programme to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

It is expected that each Tranche of Notes which is to be admitted for listing on the Official List and to trading on the Main Securities will be admitted separately as and when issued, subject only to the issue of the Global Note(s) representing the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or about 6 May 2014.

In addition, unless otherwise agreed with the Relevant Dealer(s) and provided for in the Final Terms, the Issuer will use its reasonable endeavours to cause all Notes issued under the Programme to be submitted to the "rated debt securities" category of the official list of the KASE. No Notes issued by the Issuer may be issued or placed without prior FMSC Consents.

Authorisations

The establishment, and the update of the Programme was authorised by a duly convened meeting of the Board of Directors held on 19 April 2013, 18 April 2014 and 4 May 2014, respectively. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and in particular, each Tranche will require a specific authorisation by the Board of Directors.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and/or DTC. The appropriate common code and the International Securities Identification Number and/or (where applicable) the CUSIP number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Use of Proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes.

Commissions, fees and expenses may be deducted from the gross proceeds of each Tranche of Notes, as set out in the applicable Final Terms.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), during the 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

No Material Adverse or Significant Change

There has been no material adverse change in the prospects of the Issuer or the Group, since 31 December 2013, nor, other than as disclosed on page 39 of this Base Prospectus (*Significant Developments Subsequent to the Date of the Consolidated Financial Statements*) relating to the devaluation of the Tenge, has there been any significant change in the financial or trading position of the Issuer or the Group since 31 December 2013.

No Material Contracts

Neither the Issuer nor any member of the Group has entered into any material contracts outside the ordinary course of its business which could result in it being under an obligation or entitlement that is material to their ability to make payments under the Notes.

Independent Auditors

The independent auditors of the Issuer are Ernst & Young LLP ("**E&Y**"), acting as auditors under State License № 0000003, dated 15 July 2005 issued by the Ministry of Finance of Kazakhstan. E&Y is a member of the Chamber of Auditors of Kazakhstan, the professional body which oversees audit firms in Kazakhstan. E&Y audited the Consolidated Financial Statements, which were prepared in accordance with IFRS, and have issued unqualified opinions thereon. See also "*Presentation of Financial and Other Information*".

As the Notes have not been and will not be registered under the Securities Act, E&Y has not filed and would not be required to file a consent under the Securities Act.

Documents Available for Inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, electronic copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent namely:

(a) the constitutional documents of the Issuer;

(b) the Consolidated Financial Statements including, in each case, the audit opinion relating to such Consolidated Financial Statements;

(c) the Deed of Covenant;

(d) the Fiscal Agency Agreement (which contains the forms of the Notes in global and definitive form);

(e) a copy of this Base Prospectus together with any supplements to this Base Prospectus or any further base prospectus;

(f) any Final Terms relating to Notes which are listed on the Main Securities Market (in the case of any Notes which are not listed on any stock exchange outside of Kazakhstan, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders or otherwise in accordance with the rules of the KASE).

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Independent auditors' report

To the Shareholder and Board of Directors of the JSC "KazAgro" National Management Holding

We have audited the accompanying consolidated financial statements of JSC "KazAgro" National Management Holding and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2013, 2012 and 2011, and the consolidated income statements, consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of consolidated the 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.

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Opinion

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

Ernst & Young LLP

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor qualification certificate No. 0000553 dated 24 December 2003

11 April 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

(in thousands of Kazakh tenge)

	Notes	*2013*	*2012*	*2011*
Assets				
Cash and cash equivalents	6	**55,824,066**	64,414,586	54,783,883
Amounts due from credit institutions	7	**115,853,307**	15,255,645	18,702,795
Derivative financial assets at fair value through profit or loss	8	**4,013,694**	5,467,552	6,905,476
Loans to customers	9	**199,326,232**	151,700,282	149,281,585
Finance lease receivables	10	**123,790,528**	93,216,770	70,566,373
Loans to related parties		**411,570**	–	–
Investment securities available-for-sale	11	**388,405**	309,834	833,008
Investments in associates and joint ventures	12	**2,935,039**	269,031	265,584
Accounts receivable	13	**66,158,694**	75,227,907	52,907,939
Advances paid	14	**20,567,975**	15,419,374	10,042,690
Inventories	15	**49,182,382**	73,407,409	102,613,944
Minimum level of grain	16	**13,338,568**	13,435,625	10,769,108
Assets held for finance leases	17	**13,158,059**	9,909,309	6,467,772
VAT and other taxes recoverable	18	**5,320,983**	4,638,199	8,957,269
Current income tax assets	28	**1,091,007**	89,717	1,051,126
Deferred income tax assets	28	**4,602,354**	4,817,450	4,533,461
Assets held for sale	19	**2,490,410**	1,644,917	6,789,933
Investment property		**458,498**	86,628	–
Property and equipment	20	**14,425,762**	17,240,921	18,870,629
Goodwill		**41,300**	41,300	41,300
Intangible assets	21	**669,750**	670,805	693,150
Other assets		**778,967**	877,016	1,054,041
Total assets		**694,827,550**	548,140,277	526,131,066
Liabilities				
Amounts due to the Government of the Republic of Kazakhstan	22	**15,855,139**	7,632,068	30,517,336
Amounts due to credit institutions	23	**64,577,132**	81,097,568	62,995,261
Debt securities issued	24	**117,254,491**	134,416,288	120,258,469
Eurobonds issued	25	**153,676,011**	–	–
Trade accounts payable	26	**8,449,842**	6,060,273	5,063,576
Advances received	27	**4,522,391**	4,767,030	2,630,371
Current income tax liabilities	28	**105,951**	139,081	–
Deferred income tax liabilities	28	**11,835,025**	14,421,577	14,182,501
VAT and other taxes payable		**2,030,192**	1,324,829	1,182,907
Other liabilities		**1,546,859**	716,387	1,279,555
Total liabilities		**379,853,033**	250,575,101	238,109,976

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(in thousands of Kazakh tenge)

	Notes	2013	2012	2011
Equity				
Share capital	29	**267,816,731**	254,022,911	246,263,677
Additional paid-in capital	29	**67,743,159**	61,269,231	60,124,737
Capitalization reserve	29	**(10,974,734)**	(10,974,734)	(10,974,734)
Foreign currency translation reserve		**(450,949)**	306,981	287,260
Revaluation reserve on investment securities available for sale		**175,946**	97,376	365,766
Reserve capital	29	**7,788,321**	7,234,651	6,360,203
Deemed distribution reserve	29	**(17,028,754)**	(13,311,088)	(12,320,716)
Accumulated losses		**(142,326)**	(1,224,035)	(2,332,641)
Total equity attributable to shareholder of the Parent		**314,927,394**	297,421,293	287,773,552
Non-controlling interests		**47,123**	143,883	247,538
Total equity		**314,974,517**	297,565,176	288,021,090
Total liabilities and equity		**694,827,550**	548,140,277	526,131,066

Information for Kazakhstan Stock Exchange				
Book value per common share	29	**1,173.58**	1,175.00	1,166.75

Signed and authorized for release on behalf of the Management Board of the Group:

Aitzhanov Dulat Nulievich — Chairman of the Management Board

«КазАгро»

Makhazhanov Dauren Sabitovich — Deputy Chairman of the Board

Zhumabayeva Svetlana Ramazanovna — Chief Accountant

11 April 2014

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

(in thousands of Kazakh tenge)

	Notes	2013	2012	*2011*
Revenue from sale of goods and services	31	**51,371,498**	74,482,817	64,189,731
Cost of sales	32	**(41,140,363)**	(49,177,358)	(55,470,029)
Gross profit		**10,231,135**	25,305,459	8,719,702
Interest income	33	**32,614,735**	24,349,898	24,615,056
Interest expense	34	**(18,303,202)**	(16,739,218)	(12,374,396)
Net interest income		**14,311,533**	7,610,680	12,240,660
Impairment charge of interest earning assets	35	**(6,036,475)**	(11,160,195)	(3,701,889)
Net interest income/(expense) after (expenses)/income on impairment of interest earning assets		**8,275,058**	(3,549,515)	8,538,771
Net (losses)/gains on derivative financial assets	36	**(462,020)**	33,530	(2,168,730)
Net losses from foreign currency transactions:		**(1,438,269)**	(481,819)	65,635
Share in profit/(loss) of associates		**693,712**	(55,432)	(173,055)
Other income	37	**2,889,228**	2,680,032	756,100
Net other operating income/(losses)		**1,682,651**	2,176,311	(1,520,050)
Personnel expenses	38	**(5,428,674)**	(4,795,459)	(4,540,708)
Selling expenses	39	**(6,751,205)**	(8,171,276)	(4,752,671)
Net losses from adjustment of changes in future cash flows from loans to customers	40	**(286,042)**	(345,261)	(262,797)
Other operating expenses	38	**(3,182,293)**	(4,342,739)	(2,882,026)
Other impairment charge	41	**(1,158,199)**	(2,272,085)	300,270
Reversal/(provision) for contingent liabilities		**–**	–	1,002,400
Non-interest expense		**(16,806,413)**	(19,926,820)	(11,135,532)
Profit before income tax expense		**3,382,431**	4,005,435	4,602,891
Income tax expense	28	**(1,697,032)**	(1,721,219)	(527,560)
Profit for the year		**1,685,399**	2,284,216	4,075,331
Attributable to:				
- shareholder of the Parent		**1,102,799**	2,283,206	4,037,753
- non-controlling interests		**(96,760)**	1,010	37,578
		1,006,039	2,284,216	4,075,331
Basic and diluted earnings per share for the year		**11.17**	9.15	9.18

Signed and authorized for release on behalf of the Management Board of the Group:

Aitzhanov Dulat Nulievich — Chairman of the Management Board

Makhazhanov Dauren Sabitovich — Deputy Chairman of the Board

Zhumabayeva Svetlana Ramazanovna — Chief Accountant

«КазАгро»

11 April 2014

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

(in thousands of Kazakh tenge)

	Notes	2013	2012	2011
Profit for the year		**1,685,399**	2,284,216	4,075,331
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Unrealised gains/(losses) on investment securities available-for-sale		**78,570**	(185,860)	161,045
Realised gains on investment securities available-for-sale		**–**	(82,530)	–
Currency translation differences		**(757,930)**	19,721	(79,475)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(679,360)**	(248,669)	81,570
Total comprehensive income for the year		**1,006,039**	2,035,547	4,156,901
Attributable to:				
- shareholder of the Parent		**1,102,799**	2,034,537	4,119,323
- non-controlling interests		**(96,760)**	1,010	37,578
		1,006,039	2,035,547	4,156,901

Signed and authorized for release on behalf of the Management Board of the Group:

Aitzhanov Dulat Nulievich — Chairman of the Management Board

Makhazhanov Dauren Sabitovich — Deputy Chairman of the Board

Zhumabayeva Svetlana Ramazanovna — Chief Accountant

11 April 2014

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(in thousands of Kazakh tenge)

	Attributable to the shareholder of the Company										
	Share capital	*Additional paid in capital*	*Capitali-zation reserve*	*Foreign currency translation reserve*	*Reserve for revaluation of investment securities available for sale*	*Reserve capital*	*Deemed distribution reserve*	*Accumulated losses*	*Total*	*Non controlling interests*	*Total equity*
31 December 2010	195,363,677	60,124,737	(10,974,734)	366,735	204,721	3,871,323	(6,667,611)	(3,633,360)	238,655,488	127,467	238,782,955
Profit for the year	–	–	–	–	–	–	–	4,037,753	4,037,753	37,578	4,075,331
Other comprehensive income/(loss) for the year	–	–	–	(79,475)	161,045	–	–	–	81,570	–	81,570
Total comprehensive income/(loss) for the year	–	–	–	(79,475)	161,045	–	–	4,037,753	4,119,323	37,578	4,156,901
Issue of share capital (Note 29)	50,900,000	–	–	–	–	–	–	–	50,900,000	–	50,900,000
Deemed distribution reserve for the year	–	–	–	–	–	–	(5,653,105)	–	(5,653,105)	–	(5,653,105)
Dividends to the Shareholder of the Company (Note 29)	–	–	–	–	–	–	–	(248,154)	(248,154)	–	(248,154)
Non-controlling interest associated with the establishment of a subsidiary	–	–	–	–	–	–	–	–	–	82,493	82,493
Transfer to reserve capital (Note 29)	–	–	–	–	–	2,488,880	–	(2,488,880)	–	–	–
31 December 2011	246,263,677	60,124,737	(10,974,734)	287,260	365,766	6,360,203	(12,320,716)	(2,332,641)	287,773,552	247,538	288,021,090
Profit for the year	–	–	–	–	–	–	–	2,283,206	2,283,206	1,010	2,284,216
Other comprehensive income/(loss) for the year	–	–	–	19,721	(268,390)	–	–	–	(248,669)	–	(248,669)
Total comprehensive income/(loss) for the year	–	–	–	19,721	(268,390)	–	–	2,283,206	2,034,537	1,010	2,035,547
Issue of share capital (Note 29)	7,759,234	–	–	–	–	–	–	–	7,759,234	–	7,759,234
Gain on initial recognition of amounts due to the shareholder at below market interest rates (Note 29)	–	1,144,494	–	–	–	–	–	–	1,144,494	–	1,144,494
Deemed distribution reserve for the year (Note 29)	–	–	–	–	–	–	(990,372)	–	(990,372)	–	(990,372)
Dividends to the Shareholder of the Company (Note 29)	–	–	–	–	–	–	–	(300,152)	(300,152)	–	(300,152)
Non-controlling interest associated with the disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(104,665)	(104,665)
Transfer to reserve capital (Note 29)	–	–	–	–	–	874,448	–	(874,448)	–	–	–
31 December 2012	254,022,911	61,269,231	(10,974,734)	306,981	97,376	7,234,651	(13,311,088)	(1,224,035)	297,421,293	143,883	297,565,176

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(in thousands of Kazakh tenge)

	Attributable to the shareholder of the Company										
	Share capital	*Additional paid in capital*	*Capitali-zation reserve*	*Foreign currency translation reserve*	*Reserve for revaluation of investment securities available for sale*	*Reserve capital*	*Deemed distribution reserve*	*Accumulated losses*	*Total*	*Non controlling interests*	*Total equity*
31 December 2012	254,022,911	61,269,231	(10,974,734)	306,981	97,376	7,234,651	(13,311,088)	(1,224,035)	297,421,293	143,883	297,565,176
Profit for the year	–	–	–	–	–	–	–	**1,782,159**	**1,782,159**	**(96,760)**	**1,685,399**
Other comprehensive income/(loss) for the year	–	–	–	**(757,930)**	**78,570**	–	–	–	**(679,360)**	–	**(679,360)**
Total comprehensive income/(loss)	–	–	–	**(757,930)**	**78,570**	–	–	**1,782,159**	**1,102,799**	**(96,760)**	**1,006,039**
Issue of share capital (Note 29)	**13,793,820**	–	–	–	–	–	–	–	**13,793,820**	–	**13,793,820**
Gain on initial recognition of amounts due to the shareholder at below market interest rates (Note 29)	–	**6,473,928**	–	–	–	–	–	–	**6,473,928**	–	**6,473,928**
Deemed distribution reserve for the year (Note 29)	–	–	–	–	–	–	**(3,717,666)**	–	**(3,717,666)**	–	**(3,717,666)**
Dividends to the Shareholder of the Company (Note 29)	–	–	–	–	–	–	–	**(146,780)**	**(146,780)**	–	**(146,780)**
Transfer to reserve capital (Note 29)	–	–	–	–	–	**553,670**	–	**(553,670)**	–	–	–
31 December 2013	**267,816,731**	**67,743,159**	**(10,974,734)**	**(450,949)**	**175,946**	**7,788,321**	**(17,028,754)**	**(142,326)**	**314,927,394**	**47,123**	**314,974,517**

Signed and authorized for release on behalf of the Management Board of the Group:

Aitzhanov Dulat Nulievich — Chairman of the Management Board

Makhazhanov Dauren Sabitovich — Deputy Chairman of the Board

Zhumabayeva Svetlana Ramazanovna — Chief Accountant

11 April 2014

«ҚазАгро»

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

(in thousands of Kazakh tenge)

	Notes	*2013*	*2012*	*2011*
Cash flows from operating activities				
Profit before income tax expense		**3,382,431**	4,005,435	4,602,891
Adjustments for:				
Depreciation and amortization	20, 21	**949,294**	1,221,514	927,252
Share in loss/(profit) of associates and joint ventures	12	**(693,712)**	55,432	173,055
Accrued interest income	33	**(32,614,735)**	(24,349,898)	(24,615,056)
Accrued interest expenses	34	**18,303,202**	16,739,218	12,374,396
Impairment of interest earnings assets	35	**6,036,475**	11,160,195	3,701,889
Provisions (reversal)/charges		**–**	–	(1,002,400)
Other impairment (reversal)/charges	41	**1,158,199**	2,272,085	(300,270)
Net losses on initial recognition of loans to customers	40	**286,042**	345,261	262,797
Unrealised losses on derivative financial assets	36	**1,453,776**	1,202,855	3,553,331
Unrealized (gains)/losses from foreign currencies		**2,636,318**	859,478	(2,186,860)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities		**897,290**	13,511,575	(2,508,975)
Net (increase)/decrease in operating assets				
Amounts due from credit institutions		**(100,913,611)**	2,899,606	(118,882)
Derivative financial assets		**–**	235,069	(478,877)
Loans to customers		**(51,357,569)**	(7,154,752)	(51,590,764)
Finance lease receivables		**(29,121,092)**	(25,499,772)	(16,012,657)
Investment securities available-for-sale		**–**	(194,689)	3,001,461
Accounts receivable		**8,781,530**	(22,655,692)	(19,937,021)
Advances paid		**(4,897,294)**	(5,717,159)	6,579,020
Inventory		**24,221,946**	29,238,554	(53,917,356)
Minimum level of grain		**97,057**	(2,666,517)	(835,537)
Property held for finance leases		**(3,958,452)**	(3,950,870)	(416,831)
VAT and other taxes recoverable		**(698,681)**	4,645,989	(5,039,970)
Assets classified as held for sale		**(1,771,099)**	6,240,013	(2,932,261)
Biological assets		**–**	–	941,037
Other assets		**(54,911)**	106,185	(481,277)
Net increase/(decrease) in operating liabilities				
Liabilities directly associated with assets classified as held for sale		**–**	(630,654)	393,170
Trade accounts payable		**1,761,890**	741,588	3,150,990
Advances received		**(243,026)**	2,136,659	(2,310,843)
Deferred income		**–**	(29,434)	(410,383)
VAT and other taxes payable		**707,847**	141,922	276,559
Other liabilities		**830,472**	96,920	282,778
Net cash flows (used in)/from operating activities before income tax		**(155,717,703)**	(8,505,459)	(142,366,619)
Interest received		**23,775,295**	19,401,962	14,550,129
Interest paid		**(12,542,677)**	(13,103,048)	(7,501,144)
Income tax paid		**(4,413,842)**	(704,172)	(1,544,809)
Net cash (used in)/from operating activities		**(148,898,927)**	(2,910,717)	(136,862,443)
Cash flows from investing activities				
Proceeds from sale of property and equipment		**291,230**	648,668	4,004,910
Purchase of property and equipment	20	**(846,696)**	(2,380,151)	(4,949,104)
Decrease in cash due to reclassification of the cash to investment in associate		**(175,662)**	–	–
Proceeds from sale of intangible asset		**–**	–	13,198
Purchase of intangible assets	21	**(106,218)**	(89,356)	(137,711)
Proceeds from sale of investments in associates		**13,667**	–	–
Dividends received	37	**53,925**	532,003	31,142
Net cash used in investing activities		**(769,754)**	(1,288,836)	(1,037,565)

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(in thousands of Kazakh tenge)

	Notes	*2013*	*2012*	*2011*
Cash flows from financing activities				
Proceeds from issue of share capital	29	**13,793,820**	7,759,234	50,900,000
Proceeds from debt securities issued		**1,936,112**	10,612,291	2,710,896
Redemption of debt securities issued		**(20,360,250)**	–	–
Proceeds from eurobonds issued		**150,127,067**	–	–
Redemption of eurobonds issued		**(13,241)**	–	–
Proceeds from amounts due to the Government of Republic of Kazakhstan		**27,021,997**	98,500,000	92,434,928
Redemption of amounts due to the Government of Republic of Kazakhstan		**(13,896,100)**	(120,929,082)	(76,091,756)
Proceeds from amounts due to credit institutions		**98,838,566**	73,815,689	42,253,530
Redemption of amounts due to credit institutions		**(116,875,401)**	(55,647,445)	(26,532,189)
Dividends paid	29	**(146,780)**	(300,152)	(248,154)
Net cash flow from financing activities		**140,425,790**	13,810,535	85,427,255
Effect of exchange rates changes on cash and cash equivalents		**652,371**	19,721	(79,475)
Net change in cash and cash equivalents		**(8,590,520)**	9,630,703	(52,552,228)
Cash and cash equivalents, beginning		**64,414,586**	54,783,883	107,336,111
Cash and cash equivalents, ending	7	**55,824,066**	64,414,586	54,783,883

Signed and authorized for release on behalf of the Management Board of the Group:

Aitzhanov Dulat Nulievich　　Chairman of the Management Board

Makhazhanov Dauren Sabitovich　　Deputy Chairman of the Board

Zhumabayeva Svetlana Ramazanovna　　Chief Accountant

11 April 2014

The accompanying notes on pages 9 through 63 form an integral part of these consolidated financial statements.

(in thousands of Kazakh tenge)

1. Principal activities

JSC KazAgro National Management Holding (the "Company") was formed in January 2007 as a joint stock company under the laws of the Republic of Kazakhstan by the Government of the Republic of Kazakhstan. The Company was established under Decree No. 220 of the President of the Republic of Kazakhstan on 11 December 2006, regarding certain questions on development of agriculture complex with the purpose of state policy realization of formation and development of competitive and export oriented agriculture industry.

The Company's registered office address is 24 Republic ave., Astana, the Republic of Kazakhstan.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively the "Group"). The following principal subsidiaries are owned by the Group as at 31 December:

Name	*Country of residence*	*Type of activity*	*Year of establishment*	*Year of acquisition*	*Percentage of ownership*		
					2013	*2012*	*2011*
National Company Food Contract Corporation JSC	Kazakhstan	Maintaining of state grain at levels necessary to provide the Kazakhstan population with grain and grain products, maintaining the necessary level of grain and ensuring its timely replenishment	1995	2007	**100.0%**	100.0%	100.0%
KazAgroProduct JSC	Kazakhstan	Organisation of the livestock products purchase, production, processing and supply to export and domestic markets	2001	2007	**100.0%**	100.0%	100.0%
KazAgroFinance JSC	Kazakhstan	Financing of enterprises in agricultural sector of the Republic of Kazakhstan	1999	2007	**100.0%**	100.0%	100.0%
Agrarian Credit corporation JSC	Kazakhstan	Implementation of state policy regarding financing the development of competitive businesses in the countryside	2001	2007	**100.0%**	100.0%	100.0%
Fund for Financial Support of Agriculture JSC	Kazakhstan	Implementation of state policies for expanding access to financial and credit resources for the rural population through the creation of institutional infrastructure of microcredit in rural areas for economic development of rural areas, social equality, increasing the standard of living of underprivileged parts of society, as well as assistance in development of insurance market, in particular the obligatory insurance of crop husbandry as an agent of the Government of the Republic of Kazakhstan such as compulsory insurance in the plant in as an agent of the Government of the Republic of Kazakhstan.	1998	2007	**100.0%**	100.0%	100.0%
KazAgro Garant JSC	Kazakhstan	Implementation of state policy for growth in lending of agricultural sector, minimizing the risks of grain and cotton holders by expanding guarantee volumes on a non commercial basis.	2003	2007	**100.0%**	100.0%	100.0%
KazAgro Marketing JSC	Kazakhstan	Implementation of state policies for the creation of a market infrastructure to promote agricultural products and services, which guarantees greater access for agricultural entities to data resources and consulting based on developed regional network of rural information centers, and modern technology.	2003	2007	**100.0%**	100.0%	100.0%

1. Principal activities (continued)

The Group's principal activities include maintenance of state grain at the levels required to supply the population of Kazakhstan with grain and grain products, timely grain replenishment, lending, and investing in finance leases to the agricultural sector, financing infrastructure for preparation, processing, storage and supply and distribution of agricultural products, financing non-agricultural entrepreneurship in rural areas and marketing research. Additionally the Group acts as a guarantor for compensation of losses related to storage of the grain.

As at 31 December principal subsidiaries of the Company owned the following companies:

Name	*Country of Residence*	*Type of activity*	*Percentage of ownership*		
			2013	*2012*	*2011*
Ak-Biday Terminal JSC	Kazakhstan	Grain terminal business	**75.10%**	90.66%	100.0%
Expert Agrarian Company LLP	Kazakhstan	Business review, provision of guarantees	**100.0%**	100.0%	100.0%
Astyk Koimalary LLP	Kazakhstan	Grain storage and processing	**100.0%**	100.0%	100.0%
Cotton Contract Corporation JSC	Kazakhstan	Raw cotton processing and storage	**100.0%**	100.0%	100.0%
Agrofirm Zhana-Zher LLP	Kazakhstan	Production of agricultural products	**91.0%**	91.0%	91.0%
Kazakhstan Maktasy JSC	Kazakhstan	Cotton and textile materials, export and domestic supply	**100.0%**	100.0%	100.0%
Batumi Grain Terminal LLP	Georgia	Grain terminal business	**100.0%**	100.0%	100.0%
Agrofirm Zhana-Ak Dala LLP	Kazakhstan	Storage and sale of tomatoes	**99.9%**	99.9%	99.9%
NurAgro LLP	Kazakhstan	Storage and sale of potatoes and onions	**100.0%**	100.0%	100.0%
Astana Agro LLP	Kazakhstan	Production of agricultural products	**100.0%**	100.0%	100.0%
Rudnenski GMK LLP	Kazakhstan	Milk production	**100.0%**	100.0%	100.0%
KazMeat LLP	Kazakhstan	Financial leasing of cattle	**100.0%**	100.0%	100.0%
KazBeef LLP	Kazakhstan	Breeding of cattle	**–**	–	25.0%
KazAgroKurylys LLP	Kazakhstan	Construction of agricultural facilities	**100.0%**	100.0%	100.0%

The Group is responsible for keeping accounting records and monitoring the quality, quantity and security of the state grain resources.

As at 31 December 2013 investments in associates include the Group's share in 37 micro-credit organizations (2012: 39). The Group's percentage of ownership in micro-credit organizations as at 31 December 2013 and 2012 varied from 35% to 49% (2011: 35% to 49%).

The founder and sole shareholder of the Company is the Republic of Kazakhstan represented by the Government of the Republic of Kazakhstan. In accordance with Government Resolution of the Republic of Kazakhstan dated 23 December 2006 No. 1247, the rights of ownership and use of the government package of shares of KazAgro Holding JSC have been transferred to the Ministry of Agriculture.

2. Basis of preparation

General

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

These consolidated financial statements are presented in thousands of Kazakh tenge ("tenge" or "KZT"), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost convention, except for investment securities available for sale, biological assets and derivative financial assets which have been measured at fair value and inventory accounted at lower of cost or net realizable value.

3. Summary of accounting policies

Changes in accounting policies

The Group has adopted the following amended IFRS during the year:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.* IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures.* Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the consolidated financial statements. The Group provides these disclosures in Note 44.

Amendments to IAS 19 Employee Benefits

The IASB has published amendments to IAS 19 *Employee Benefits,* effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. These amendments had no impact on the Group's financial position.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. The Group has subsidiaries with material non-controlling interests as well as unconsolidated structured entities.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance.

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

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

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Group's financial position or performance.

Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3. Summary of accounting policies (continued)

Financial assets (continued)

Loans and receivables (continued)

Loans provided by the Group are initially recorded at fair value plus transaction costs. When the Group accepts a credit commitment to provide loans to customers at below market interest rates, a liability at fair value of these credit commitments is recorded in other liabilities with corresponding entry, which is included in income statement if the decision to undertake the obligation was adopted by the Group's management; or as deemed distribution to the controlling shareholder, if the decision was adopted in accordance with controlling shareholder's instructions. Subsequently, credit commitment is adjusted to fair value through profit and loss before granting a loan, when credit commitment is reduced by consideration paid, and remaining balance is recorded as loans issued to customers. As a result, loans to customers are initially recognised at fair value, and subsequently these loans are recorded at amortised cost, using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated income statement. However, interest calculated using the effective interest method is recognised in the consolidated income statement.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amount due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

3. Summary of accounting policies (continued)

Derivative financial instruments

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated income statement.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Government of the Republic of Kazakhstan, amounts due to credit institutions and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated income statement.

Lease

Finance – Group as lessee

The Group recognises finance leases as assets and liabilities in the consolidated statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

Finance – Group as lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Group as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating – Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Investments in associates and joint ventures

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in the consolidated income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

3. Summary of accounting policies (continued)

Investments in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of

the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of

the associate or joint venture and its carrying value, then recognises the loss as "Share of profit of an associate and a joint venture" in the statement of profit or loss. IAS 28.40-43

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Advances paid

Advances paid are stated at cost after deducting allowances for impairment losses for uncollectable amounts.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions, loans to customers and receivables

For amounts due from credit institutions, loans to customers and receivables carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions, loans to customers and receivables (continued)

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan/receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition coast and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is reclassified from other comprehensive income to the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Renegotiated loans and finance lease receivables

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. The accounting treatment of such restructuring is as follows:

- If the currency of the loan/finance lease receivable has been changed the old loan/finance lease receivable is derecognised and the new loan/finance lease receivable is recognised.
- If the loan/finance lease receivable restructuring is not caused by the financial difficulties of the borrower/lessee the Group uses the same approach as for financial liabilities described below.
- If the loan/finance lease receivable restructuring is due to the financial difficulties of the borrower/lessee and the loan/finance lease receivable is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan/finance lease receivable is not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the loan/finance lease receivable is no longer considered past due. Management continuously reviews renegotiated loans/finance lease receivables to ensure that all criteria are met and that future payments are likely to occur. The loans/finance lease receivables continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement on a straight-line basis over the life of the guarantee.

3. Summary of accounting policies (continued)

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Property and equipment

Property and equipment are carried at cost excluding costs of day-to-day maintenance less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis with the following depreciation rates:

	Depreciation rates
Buildings	2-7%
Vehicles	15-25%
Equipment and furniture	4-20%
Others	7-10%

Unit of production method is used to calculate the depreciation of technological complex on cotton processing and grain terminals.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Land is carried at cost less impairment allowance.

Construction-in-progress represents property and equipment under construction awaiting installation and is stated at cost. Construction-in-progress includes cost of construction, equipment and other direct costs. Construction-in-progress is not depreciated.

Investment property

Investment property is intended to earn rentals or capital appreciation, and which is not used by the Group as fixed assets.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost, less accumulated depreciation. Investment property is depreciated on a straight-line basis over the period of useful life.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

3. Summary of accounting policies (continued)

Investment property (continued)

Transfers to and from investment property are made when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the carrying amount is not changed because the Group uses the model of cost accounting for both categories: investment property and owner occupied property.

Goodwill

Goodwill on an acquisition of a subsidiary is included in goodwill and other intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets include software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets have definite useful life. Intangible assets are amortised over the useful economic lives of 1 to 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Property held for finance lease

Property held for finance lease is stated at the lower of cost and net realisable value. Cost includes charges incurred in bringing the property to its location and condition.

Minimum level of grain

Minimum level of grain are carried at lower of cost or net realisable value. Minimum level of grain as determined by the Resolution of the Government of the Republic of Kazakhstan No. 394 dated 28 March 2001 could not be used without special permission of the Government of the Republic of Kazakhstan.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Biological assets

The group recognises a biological asset when and only when:

- the Group controls the asset as a result of past event;
- it is probable that future economic benefits associated with the asset will flow to the Group; and
- the fair value or cost of the asset can be measured reliably.

A biological asset is measured on initial recognition and at the end of each reporting period at its fair value less costs to sell.

3. Summary of accounting policies (continued)

Inventory

Inventories are valued at the lower of cost or net realisable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated cost of completion and estimated costs of completion and estimated cost necessary to make the sale.

The cost of all inventories, including grain and cotton are accounted for under FIFO method.

Minimum level of grain determined by the resolution of the Government of the Republic of Kazakhstan No. 394 dated 28 March 2001 could not be used without special permission of the Government of the Republic of Kazakhstan and accordingly, included within other non-current assets.

Provisions

Provisions are recognised 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 amount of obligation can be made.

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

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

Additional paid in capital

When the Group receives loans and other financial support from its shareholder at below market interest rates, the difference between received cash consideration and fair value of loans or other financial support is recorded as additional paid in capital.

Capitalization reserve

The Group received common shares of its subsidiaries as contribution to the share capital of the Group. The difference between fair value of shares and the cost of shares transferred as at the date of transfer is recorded as capitalization reserve.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of functional currencies of the foreign subsidiaries to tenge, whose financial statements are included in these consolidated financial statements.

Reserve capital

In accordance with Group's policy, reserve capital is formed to cover general Group's risks, including deferred losses and other contingent risks and liabilities. Reserve capital is subject to distribution on the basis of decision of general shareholders meeting.

Deemed distribution reserve

When the Group enters into a loan agreement at below market interest rates on behalf of its shareholder, the fair value of credit commitment is charged to retained earnings as deemed distribution to shareholder.

Contingencies

Contingent liabilities are not recognised 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 recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

3. Summary of accounting policies (continued)

Fiduciary activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Financial services, Grain and cotton cluster and Other.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

In accordance with the Rules established by Government of the Republic of Kazakhstan the Group is entitled to deduct a certain percent from revenue from the sale of the Government grain reserves as a commission. In 2009 and 2008 the commission did not exceed 3% of the total proceeds from these sales. The commission is used for maintenance of office premises, employees' salary and to cover other expenses associated with purchase of goods and services to support the Group activities.

Loan commitment fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. If there is a possibility that due to loan commitment a credit arrangement will be signed, loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently is reflected as an adjustment of actual proceeds from a loan. When the probability to enter into credit arrangement under loan commitments is remote, loan commitment fees are recognised in the income consolidated statement during the remaining validity period of loan commitment. Upon expiration of loan commitment validity period, which is not resulted in loan issuance, loan commitment fees are recognised in the consolidated income statement on its expiration date. Fees for loan servicing are recognized upon rendering of services. Loan syndication fees are recognized in the consolidated income statement when such services have been provided. Other commissions are recognized upon rendering of services.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(in thousands of Kazakh tenge)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as reduction of related costs over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Dividend income

Revenue is recognised when the Groups' right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in Kazakhstani Tenge, which is Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange, ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement as gains less losses from foreign currencies - translation differences.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the Kazakhstan Stock Exchange official exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. Below are the exchange rates used by the Group in preparation of these consolidated financial statements:

	31 December		
	2013	*2012*	*2011*
Tenge/USD	**153.61**	150.74	148.40
Tenge/Euro	**211.17**	199.22	191.72
Tenge/Russian rouble	**4.69**	4.96	4.61

The assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income consolidated statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. For foreign currencies, which are not quoted by the KASE, the exchange rates are calculated by the National Bank of the Republic of Kazakhstan using the cross-rates to the US dollar ("USD" or "US dollar") in accordance with the quotations received from relevant sites of national banks.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects two of the three phases of the IASB project on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities and hedge accounting. The standard has no mandatory effective date and may be applied voluntarily. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Bank's Group's financial liabilities. The Group will quantify the effect when the remaining part of the standard containing guidance on impairment of financial assets is issued.

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Bank does not qualify to be an investment entity under IFRS 10.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have a material impact on its financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The Group determines fair value of derivative financial instruments using valuation method, usually applied by market participants. As for embedded derivative instruments assumptions are made on the basis of market data adjusted by specific characteristics of the instrument. The Group uses Black-Scholes model to evaluate its financial instruments and assumptions used in valuation model (such as risk free rates and volatility coefficients), are determined on the basis of financial instruments with similar characteristics quoted at Bloomberg.

Allowance for loan and accounts receivable impairment

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in 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 the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

(in thousands of Kazakh tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Collateral valuation

Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value of collateral to reflect current circumstances.

Taxation

Tax, currency and customs legislation of the Republic of Kazakhstan is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and republic authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that as at 31 December 2013, 2012 and 2011 its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Management believes that it is probable that taxable profit will be available against which the deductable temporary differences, including unused tax losses can be utilised.

Deferred income taxes

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group has tax loss carry forwards amounting to KZT 225,146 thousand in 2013 (2012: KZT 1,641,205 thousand; 2011: KZT 1,433,676 thousand). These losses primarily relate to loan impairment charge and expire for tax purposes ten years from the date they are incurred (2012 and 2011: ten years)

Further details on taxes are disclosed in Note 28.

5. Segment information

For management purposes, the Group is organised into three operating segments based on products and services as follows:

Financial services	Principally providing loans and leases to corporate and individual customers.
Grain and cotton cluster	Principally buying and selling grain and cotton
Other	Marketing services, cattle farms, horticulture and other

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transaction with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2013, 2012 and 2011.

(in thousands of Kazakh tenge)

5. Segment information (continued)

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments.

2013	*Financial services*	*Grain and cotton cluster*	*Other*	*Adjustments and eliminations*	*Total*
Revenue					
Revenue from sales of goods and services	–	45,652,686	5,718,812	–	51,371,498
Interest income	27,925,946	4,465,800	222,989	–	32,614,735
Other income	1,288,582	1,376,967	223,679	–	2,889,228
Total revenue	29,214,528	51,495,453	6,165,480	–	86,875,461
				–	
Cost of sales	–	(35,528,765)	(5,611,598)	–	(41,140,363)
Interest expense	(10,138,128)	(7,934,997)	(230,077)	–	(18,303,202)
Impairment charge for interest earning assets	(6,036,475)	–	–	–	(6,036,475)
Personnel expenses	(4,195,935)	(1,135,506)	(97,233)	–	(5,428,674)
Other impairment reversal/(charge)	(838,858)	(403,908)	84,567	–	(1,158,199)
Net losses on derivative financial assets	(462,020)	–	–	–	(462,020)
Net (losses)/gains from foreign currencies	(1,292,922)	(145,940)	593	–	(1,438,269)
Selling expenses	(1,954,537)	(4,793,687)	(2,981)	–	(6,751,205)
Net losses from adjustment of changes in future cash flows from loans to customers	(286,042)	–	–	–	(286,042)
Share in (loss)/profit of associates	–	600,662	93,050	–	693,712
Other operating expenses	(1,691,527)	(833,273)	(657,493)	–	(3,182,293)
Segment results	2,318,084	1,320,039	(255,692)	–	3,382,431
Income tax expense	(1,514,381)	(92,473)	(90,178)	–	(1,697,032)
Profit for the year	803,703	1,227,566	(345,870)	–	1,685,399
Segment assets	493,754,516	146,169,562	56,519,800	(1,616,328)	694,827,550
Segment liabilities	(255,892,346)	(115,620,685)	(6,723,771)	(1,616,328)	(379,853,130)
Other segment information					
Capital expenditure	398,416	336,632	111,648	–	846,696

(in thousands of Kazakh tenge)

5. Segment information (continued)

2012	*Financial services*	*Grain and cotton cluster*	*Other*	*Adjust-ments and elimina-tions*	*Total*
Revenue					
Revenue from sales of goods and services	–	68,135,078	6,347,739	–	74,482,817
Interest income	19,893,133	4,110,418	346,347	–	24,349,898
Other income	845,904	1,300,842	533,286	–	2,680,032
Total revenue	20,739,037	73,546,338	7,227,372	–	101,512,747
Cost of sales	–	(41,366,615)	(7,810,743)	–	(49,177,358)
Interest expense	(4,720,072)	(11,805,194)	(213,952)	–	(16,739,218)
Impairment charge for interest earning assets	(6,660,885)	(4,353,265)	(146,045)	–	(11,160,195)
Personnel expenses	(3,147,716)	(1,155,180)	(492,563)	–	(4,795,459)
Other impairment reversal/(charge)	(843,160)	–	(1,428,925)	–	(2,272,085)
Net losses on derivative financial assets	33,530	–	–	–	33,530
Net (losses)/gains from foreign currencies	(103,649)	(382,039)	3,869	–	(481,819)
Selling expenses	(1,160,997)	(6,989,206)	(21,073)	–	(8,171,276)
Net losses from adjustment of changes in future cash flows from loans to customers	(345,261)	–	–	–	(345,261)
Share in (loss)/profit of associates	(47,236)	–	(8,196)	–	(55,432)
Other operating expenses	(1,246,481)	–	(3,096,258)	–	(4,342,739)
Segment results	2,497,110	7,494,839	(5,986,514)	–	4,005,435
Income tax expense	(1,396,107)	(207,444)	(117,668)	–	(1,721,219)
Profit for the year	1,101,003	7,287,395	(6,104,182)	–	2,284,216
Segment assets	293,909,599	209,395,787	46,450,026	(1,615,135)	548,140,277
Segment liabilities	109,048,004	135,620,468	7,521,764	(1,615,135)	250,575,101
Other segment information					
Capital expenditure	4,062,360	1,155,941	2,318,010	–	7,936,311

(in thousands of Kazakh tenge)

5. Segment information (continued)

2011	*Financial services*	*Grain and cotton cluster*	*Other*	*Adjust-ments and elimina-tions*	*Total*
Revenue					
Revenue from sales of goods and services	–	59,273,081	4,916,650	–	64,189,731
Interest income	19,897,586	4,666,557	50,913	–	24,615,056
Other income	218,536	277,564	260,000	–	756,100
Total revenue	20,116,122	64,217,202	5,227,563	–	89,560,887
Cost of sales	–	(52,175,146)	(3,294,883)	–	(55,470,029)
Interest expense	(6,005,944)	(6,281,571)	(86,881)	–	(12,374,396)
Impairment charge for interest earning assets	(4,968,186)	1,266,297	–	–	(3,701,889)
Personnel expenses	(2,631,226)	(1,129,209)	(780,273)	–	(4,540,708)
Other impairment reversal/(charge)	(61,503)	–	361,773	–	300,270
Net losses on derivative financial assets	(2,168,730)	–	–	–	(2,168,730)
Net gains/(losses) from foreign currencies	109,681	(39,093)	(4,953)	–	65,635
Selling expenses	(1,428,724)	(3,271,441)	(52,506)	–	(4,752,671)
Net losses from adjustment of changes in future cash flows from loans to customers	(262,797)	–	–	–	(262,797)
Share in loss profit of associates	(37,087)	–	(135,968)	–	(173,055)
Reversal for contingent liabilities	1,002,400	–	–	–	1,002,400
Other operating expenses	(1,131,494)	–	(1,750,532)	–	(2,882,026)
Segment results	2,532,512	2,587,039	(516,660)	–	4,602,891
Income tax expense	(227,483)	(245,531)	(54,546)	–	(527,560)
Profit for the year	2,305,029	2,341,508	(571,206)	–	4,075,331
Segment assets	274,095,390	220,970,629	33,574,499	(2,509,452)	526,131,066
Segment liabilities	126,302,528	106,722,908	7,593,992	(2,509,452)	238,109,976
Other segment information					
Capital expenditure	541,072	2,600,338	2,380,268	–	5,521,678

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2013	*2012*	*2011*
Current accounts with credit institutions	**55,817,458**	58,701,555	44,644,364
Time deposits with credit institutions	–	5,708,573	10,120,087
Cash on hand	**6,608**	4,458	19,432
Cash and cash equivalents	**55,824,066**	64,414,586	54,783,883

As at 31 December 2013, the Group had concentration of cash balances represented by KZT 11,954,103 thousand or 21% of total balance due from one bank (2012: KZT 17,989,083 thousand or 28%; 2011: KZT 21,641,117 thousand or 40%)

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2013	*2012*	*2011*
Time deposits for more than 90 days	**103,934,531**	5,958,215	8,907,524
Cash in banks to cover letters of credit	**12,023,058**	9,401,712	9,899,553
	115,957,589	15,359,927	18,807,077
Less: allowance for impairment	**(104,282)**	(104,282)	(104,282)
Amounts due from credit institutions	**115,853,307**	15,255,645	18,702,795

As at 31 December 2013, bank time deposits with one bank include KZT 38,990,643 thousand or 34% of total balance placed (2012: KZT 5,782,883 thousand or 38%; 2011: KZT 6,199,339 thousand or 33%).

(in thousands of Kazakh tenge)

8. Derivative financial assets at fair value through profit and loss

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	2013			*2012*			*2011*		
		Fair values			*Fair values*			*Fair values*	
	Notional amount	*Asset*	*Liability*	*Notional amount*	*Asset*	*Liability*	*Notional amount*	*Asset*	*Liability*
Options in USD	**15,057,597**	**3,110,806**	**–**	6,287,155	1,446,371	–	8,738,791	1,847,675	–
Options in euro	**3,251,374**	**902,888**	**–**	20,548,152	4,021,181	–	24,288,561	5,057,801	–
	18,308,971	**4,013,694**	**–**	26,835,307	5,467,552	–	33,027,352	6,905,476	–

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

As at 31 December 2013, 2012 and 2011, the Group had certain loans to customers and finance lease receivables that are foreign currency linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Group has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the loans issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level. The Group believes that the above feature comprises an embedded foreign currency option, an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the consolidated financial statements.

9. Loans to customers

Loans to customers comprise:

	2013	*2012*	*2011*
Loans to customers	**224,741,038**	174,558,943	165,431,690
Loans to employees	**4,162**	44,602	50,711
Gross loans to customers	**224,745,200**	174,603,545	165,482,401
Less: allowance for impairment	**(25,418,968)**	(22,903,263)	(16,200,816)
Loans to customers	**199,326,232**	151,700,282	149,281,585

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers is as follows:

	2013	*2012*	*2011*
At 1 January	**22,903,263**	16,200,816	14,361,000
Charge for the year (Note 35)	**4,179,758**	8,266,006	1,690,074
Recoveries	**–**	–	554,336
Amounts written off	**(1,664,053)**	(1,563,559)	(404,594)
At 31 December	**25,418,968**	22,903,263	16,200,816
Individual impairment	**16,723,376**	15,749,420	12,958,102
Collective impairment	**8,695,592**	7,153,843	3,242,714
	25,418,968	22,903,263	16,200,816
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**35,000,663**	26,227,423	28,691,339

Interest income accrued on loans, for which individual impairment allowances have been recognized, for the year ended 31 December 2013, comprised KZT 3,144,837 thousand (2012: KZT 2,283,947 thousand; 2011: KZT 2,547,863 thousand).

The Group writes-off loans with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

(in thousands of Kazakh tenge)

9. Loans to customers (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For loans to customers - charges over real estate properties, agricultural equipment, inventory and trade receivables, guarantees;
- For loans to employees - mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

Concentration of loans to customers

As at 31 December 2013, the Group had a concentration of loans represented by KZT 28,943,441 thousand due from the ten largest third party entities (13% of gross loan portfolio) (2012: KZT 38,886,161 thousand or 22% of gross loan portfolio; 2011: KZT 45,265,285 thousand or 27% of gross loan portfolio). Loans in the amounts of KZT 224,741,038 thousand or 100% (2012: KZT 174,553,814 thousand or 99.9%; 2011: KZT 165,319,616 thousand or 99,9%) were issued to customers operated in agriculture industry.

10. Finance lease receivables

The analysis of finance lease receivables at 31 December 2013, is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Gross investment in finance leases	31,278,624	90,547,022	51,045,691	172,871,337
Unearned future finance income on finance leases	(1,659,250)	(19,014,966)	(19,163,670)	(39,837,886)
Net investment in finance leases	29,619,374	71,532,056	31,882,021	133,033,451
Less: allowance for impairment	(1,831,452)	(5,228,564)	(2,182,907)	(9,242,923)
Finance lease receivables	27,787,922	66,303,492	29,699,114	123,790,528

The analysis of finance lease receivables at 31 December 2012, is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Gross investment in finance leases	26,997,871	68,560,128	28,778,009	124,336,008
Unearned future finance income on finance leases	(4,575,610)	(12,844,585)	(6,324,420)	(23,744,615)
Net investment in finance leases	22,422,261	55,715,543	22,453,589	100,591,393
Less: allowance for impairment	(1,531,741)	(4,195,487)	(1,647,395)	(7,374,623)
Finance lease receivables	20,890,520	51,520,056	20,806,194	93,216,770

The analysis of finance lease receivables at 31 December 2011, is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Gross investment in finance leases	21,349,053	55,428,468	16,643,655	93,421,176
Unearned future finance income on finance leases	(3,848,604)	(10,458,043)	(3,926,434)	(18,233,081)
Net investment in finance leases	17,500,449	44,970,425	12,717,221	75,188,095
Less: allowance for impairment	(1,111,262)	(2,778,499)	(731,961)	(4,621,722)
Finance lease receivables	16,389,187	42,191,926	11,985,260	70,566,373

(in thousands of Kazakh tenge)

10. Finance lease receivables (continued)

Allowance for impairment of finance lease receivables

A reconciliation of the allowance for impairment of finance lease receivables is as follows:

	2013	*2012*	*2011*
At 1 January	**7,374,623**	4,621,722	2,609,907
Charge for the year (Note 35)	**1,856,717**	2,894,189	2,011,815
Amounts recovered/(written off)	**11,583**	(141,288)	–
At 31 December	**9,242,923**	7,374,623	4,621,722
Individual impairment	**5,098,166**	4,499,164	2,819,918
Collective impairment	**4,144,757**	2,875,459	1,801,804
	9,242,923	7,374,623	4,621,722
Gross amount of finance lease receivables, individually determined to be impaired, before deducting any individually assessed impairment allowance	**34,249,342**	26,646,154	19,960,256

Concentration of financial lease receivables

As at 31 December 2013, concentration of finance lease receivables issued by the Group to the ten largest independent parties amounted to KZT 22,589,927 thousand (17% of the aggregate finance lease portfolio) (2012: KZT 19,862,620 thousand or 19.75%; 2011: KZT 15,435,582 thousand or 20.53%).

11. Investment securities available-for-sale

Investment securities available-for-sale comprises:

	2013	*2012*	*2011*
Kazakhtelecom JSC shares	**374,372**	295,801	818,978
Delta Bank JSC shares	**14,031**	14,030	14,030
BTA Bank JSC shares	**2**	3	–
Investment securities available-for-sale	**388,405**	309,834	833,008

In 2013, the Group received dividends on ordinary shares of Kazakhtelecom JSC in the amount of KZT 53,925 thousand (2012: KZT 532,003 thousand; 2011: KZT 31,142 thousand) (Note 37).

12. Investment in associates and joint ventures

The movement in investment in associates and joint ventures was follows:

	2013	*2012*	*2011*
Investments in associates and joint ventures as at 1 January	**269,031**	265,584	399,484
Additions	**2,338,563**	78,174	59,308
Share in net profit/(loss) of associates	**693,712**	(55,432)	(173,055)
Reclassification from assets held for sale	**352,947**	–	–
Share in revaluation reserve of foreign currency	**(705,547)**	(17,646)	(12,500)
Disposals	**(13,667)**	(1,649)	(7,653)
Investments in associates and joint ventures as at 31 December	**2,935,039**	269,031	265,584

13. Accounts receivable

Accounts receivable comprise:

	2013	*2012*	*2011*
Trade accounts receivable	**63,859,698**	77,261,301	54,359,589
Other accounts receivable	**9,178,525**	4,852,422	4,832,657
	73,038,223	82,113,723	59,192,246
Less: allowance for impairment (Note 41)	**(6,879,529)**	(6,885,816)	(6,284,307)
Accounts receivable	**66,158,694**	75,227,907	52,907,939

(in thousands of Kazakh tenge)

13. Accounts receivable (continued)

Trade accounts receivable represents mainly uncollateralised receivables for sale of grain with contractual maturity dates ranging from 30 days to more than one year from the transaction date.

Concentration of accounts receivable

As at 31 December 2013, the Group had a concentration of accounts receivable represented by KZT 25,836,880 thousand due from the ten largest third party entities or 35% of gross accounts receivable (2012: KZT 24,015,935 thousand or 29% of gross accounts receivable; 2011: KZT 26,590,723 thousand or 44 %).

14. Advances paid

Advances paid comprise:

	2013	*2012*	*2011*
Advances for leasing equipment	**8,584,136**	4,942,430	4,984,444
Advances for grain	**8,133,670**	8,479,505	3,427,469
Advances for materials	**2,564,584**	1,468,320	756,706
Advances for equipment and for assembly works	**444,577**	396,849	636,336
Advances for services	**27,306**	139,515	8,291
Other	**929,970**	443,847	340,061
	20,684,243	15,870,466	10,153,307
Less: allowance for impairment (Note 41)	**(116,268)**	(451,092)	(110,617)
Advances paid	**20,567,975**	15,419,374	10,042,690

Concentration of advances paid

As at 31 December 2013, the Group had a concentration of advances paid represented by KZT 9,937,198 thousand due from the ten largest third party entities or 48% of gross advances paid (2012: KZT 7,086,408 thousand or 45% of gross advances paid; 2011: KZT 6,813,918 thousand or 67%).

15. Inventory

Inventory comprises:

	2013	*2012*	*2011*
Grain	**44,762,817**	69,037,378	97,914,269
Agriculture products	**1,716,887**	1,831,419	802,030
Cotton	**1,186,081**	1,507,165	2,347,206
Work-in-process	**300,042**	216,024	267,727
Other inventories	**1,216,555**	815,423	1,282,712
Inventory	**49,182,382**	73,407,409	102,613,944

As at 31 December 2013 grain in the amount of KZT 8,287,613 thousand were pledged under the Bank loans (Note 23) (2012: 17,649,295 thousand; 2011: nill).

16. Minimum level of grain

Minimum level of grain determined by the Resolution of the Government of the Republic of Kazakhstan No. 394 dated 28 March 2001, could not be used without special permission of the Government of the Republic of Kazakhstan and accordingly, disclosed separately from grain inventory. Minimum level of grain amounted to 500,000 tons or KZT 13,338,568 thousand as at 31 December 2013 (2012: 500,000 tons or KZT 13,435,625 thousand; 2011: 500,000 tons or KZT 10,769,108 thousand).

(in thousands of Kazakh tenge)

17. Assets held for finance leases

Assets held for finance leases comprise:

	2013	*2012*	*2011*
Property and equipment held for finance leases	**13,991,647**	10,454,948	6,503,694
Other assets held for finance leases	**12,608**	11,413	11,797
	14,004,255	10,466,361	6,515,491
Less: allowance for impairment (Note 41)	**(846,196)**	(557,052)	(47,719)
Assets held for finance leases	**13,158,059**	9,909,309	6,467,772

18. VAT and other taxes recoverable

	2013	*2012*	*2011*
VAT recoverable	**5,253,365**	4,620,258	9,253,086
Other taxes recoverable	**67,618**	17,941	31,102
VAT and other taxes recoverable	**5,320,983**	4,638,199	9,284,188
Less: Allowance for impairment (Note 41)	–	–	(326,919)
VAT and other taxes recoverable	**5,320,983**	**4,638,199**	**8,957,269**

19. Assets held for sale

Assets held for sale comprise:

	2013	*2012*	*2011*
Land	**1,061,705**	325,048	454,788
Equipment	**985,436**	479,849	745,939
Buildings	**493,550**	199,424	274,870
Investments in associates	**73,931**	442,759	4,970,751
Other assets held for sale	**20,328**	197,837	343,585
Less allowance for impairment (Note 41)	**(144,540)**	–	–
	2,490,410	1,644,917	6,789,933

Repossessed collaterals

In the ordinary course of business the Group repossesses collaterals from doubtful borrowers. Usually such collaterals comprise real estate property and agricultural equipment.

(in thousands of Kazakh tenge)

20. Property plant and equipment

The movements in property plant and equipment were as follows:

	Land	*Buildings*	*Vehicles*	*Construction -in-progress*	*Equipment and furniture*	*Other*	*Total*
31 December 2010	325,258	8,836,866	1,754,094	6,650,664	5,425,385	1,000,221	23,992,488
Additions	170,642	1,472,614	429,971	1,636,871	1,137,491	101,515	4,949,104
Disposals	(327,397)	(689,498)	(81,024)	(2,730,921)	(110,436)	(120,815)	(4,060,091)
Internal transfers	33,432	1,154,144	14,683	(1,284,585)	38,241	44,085	–
Effect from changes in exchange rate	–	194	(212)	(34,679)	(30,194)	120	(64,771)
Transfer to assets classified as held for sale	(1,580)	(1,406,011)	(231,395)	(458,998)	(574,586)	(74,925)	(2,747,495)
Transfer from assets classified as held for sale	–	319,319	6,817	–	500,915	65,477	892,528
31 December 2011	200,355	9,687,628	1,892,934	3,778,352	6,386,816	1,015,678	22,961,763
Additions	21,542	793,772	223,282	835,681	439,114	66,760	2,380,151
Disposals	(5,995)	(476,970)	(105,598)	(96,966)	(286,805)	(47,266)	(1,019,600)
Internal transfers	3,946	168,252	(144,150)	(68,220)	71,810	(31,638)	–
Effect from changes in exchange rate	–	(37,200)	(486)	(6,169)	(42,926)	(17)	(86,798)
Transfer to assets classified as held for sale	(2,235)	(11,435)	(86,310)	(2,088,055)	(143,558)	(3,959)	(2,335,552)
Transfer from assets classified as held for sale	–	920,639	–	–	176,192	102,032	1,198,863
Transfer to investment property	–	(133,668)	–	–	–	–	(133,668)
31 December 2012	217,613	10,911,018	1,779,672	2,354,623	6,600,643	1,101,590	22,965,159
Additions	**919**	**34,217**	**70,688**	**248,921**	**394,825**	**97,126**	**846,696**
Disposals	**(200)**	**(73,215)**	**(61,987)**	**(5,348)**	**(146,067)**	**(152,227)**	**(439,044)**
Internal transfers	**22,486**	**(877)**	**4,423**	**(34,240)**	**4,740**	**3,468**	–
Transfer to assets classified as held for sale	–	–	**(11,406)**	**(132,665)**	**(349)**	–	**(144,420)**
Transfer from assets classified as held for sale	–	–	–	–	–	**(1,086)**	**(1,086)**
Transfer to investment property	–	**(397,412)**	–	–	–		**(397,412)**
Reclassification to investment in associates and joint ventures	–	**(1,550,843)**	**(20,083)**		**(678,425)**	**(49,635)**	**(2,298,986)**
31 December 2013	**240,818**	**8,922,888**	**1,761,307**	**2,431,291**	**6,175,367**	**999,236**	**20,530,907**
Accumulated depreciation and impairment							
31 December 2010	–	(856,104)	(680,760)	(258,134)	(1,544,828)	(378,988)	(3,718,814)
Depreciation charge	–	(211,972)	(142,903)	–	(363,408)	(76,451)	(794,734)
Impairment (Note 41)	–	–	(2,536)	–	(23,536)	(5,353)	(31,425)
Disposals	–	68,636	47,093	–	91,061	74,185	280,975
Effect from changes in exchange rate	–	92	(22)	–	557	(59)	568
Transfer of depreciation charge to assets classified as held for sale	–	26,461	23,904	–	120,592	1,339	172,296
31 December 2011	–	(972,887)	(755,224)	(258,134)	(1,719,562)	(385,327)	(4,091,134)
Depreciation charge	–	(226,848)	(158,423)	–	(653,649)	(71,016)	(1,109,936)
(Impairment)/reversal (Note 41)	–	65,685	11,434	(1,061,365)	43,974	215	(940,057)
Disposals	–	6,240	63,514	–	287,057	15,625	372,436
Effect from changes in exchange rate	–	487	(192)	–	1,125	(37)	1,383
Transfer to investment property	–	45,536	–	–	–	–	45,536
Transfer from assets classified as held for sale	–	(65,903)	–	–	–	(100,451)	(166,354)
Transfer to assets classified as held for sale	–	13,344	20,992	–	128,723	829	163,888
Internal transfer	–	(125,344)	158,734	–	(78,326)	44,936	–
31 December 2012	–	(1,259,690)	(659,165)	(1,319,499)	(1,990,658)	(495,226)	(5,724,238)
Charge for the year	–	**(210,713)**	**(141,824)**	–	**(420,026)**	**(69,734)**	**(842,297)**
Reversal	–	**4,800**	**3,893**	–	**5,440**	**109,661**	**123,794**
Written-off on disposal	–	**7,883**	**35,332**	–	**71,813**	**37,592**	**152,620**
Transfer to assets classified as held for sale	–	–	**8,440**	–	–	–	**8,440**
Transfer to investment property	–	**73,348**	–	–	–	–	**73,348**
Reclassification to investment in associates and joint ventures	–	**47,535**	**4,878**	–	**41,751**	**9,024**	**103,188**
31 December 2013		**(1,336,837)**	**(748,446)**	**(1,319,499)**	**(2,291,680)**	**(408,683)**	**(6,105,145)**
Net book value							
31 December 2010	325,258	7,980,762	1,073,334	6,392,530	3,880,557	621,233	20,273,674
31 December 2011	200,355	8,714,741	1,137,710	3,520,218	4,667,254	630,351	18,870,629
31 December 2012	217,613	9,651,328	1,120,507	1,035,124	4,609,985	606,364	17,240,921
31 December 2013	**240,818**	**7,586,051**	**1,012,861**	**1,111,792**	**3,883,687**	**590,553**	**14,425,762**

As at 31 December 2013, property and equipment in the amount of KZT 89,661 thousand were fully amortized and are still in use (2012: KZT 52,827 thousand; 2011: KZT 104,383 thousand)

(in thousands of Kazakh tenge)

21. Intangible assets

The movements in intangible assets were as follows:

Cost	
31 December 2010	895,983
Additions	171,044
Disposals	(16,895)
31 December 2011	1,050,132
Additions	89,356
Disposals	(24,606)
31 December 2012	1,114,882
Additions	**106,218**
Disposals	**(15,231)**
31 December 2013	**1,205,869**
Accumulated amortization	
31 December 2010	(228,161)
Amortization charge	(132,518)
Disposals	3,697
31 December 2011	(356,982)
Amortization charge	(111,578)
Disposals	24,483
31 December 2012	(444,077)
Amortization charge	**(106,996)**
Disposals	**14,954**
31 December 2013	**(536,119)**
Net book value	
31 December 2010	667,822
31 December 2011	693,150
31 December 2012	670,805
31 December 2013	**669,750**

As of 31 December 2013, 2012 and 2011 intangible assets were represented by computer software and licenses.

22. Amounts due to the Government of the Republic of Kazakhstan

The Group received loans from the Government of the Republic Kazakhstan to facilitate the development of the agricultural sector in the Republic of Kazakhstan. Due to specific requirements and limitations on the use of proceeds of those loans not many commercial banks participate in the program. The Group's Management believes that the interest rates on these loans are below market interest rates.

(in thousands of Kazakh tenge)

22. Amounts due to the Government of the Republic of Kazakhstan (continued)

Amounts due to the Government of the Republic of Kazakhstan consist of the following:

	Maturity	*Annual nominal interest rate*	*2013*	*2012*	*2011*
Local Government executive bodies	2014-2018	0.00-3.00%	**10,821,329**	1,037,484	1,450,871
Ministry of agriculture of the Republic of Kazakhstan	2014	0.00%	**4,946,942**	6,482,596	–
Administration of business activities and industry in the Almaty region	2014	1.00%	**55,267**	71,375	86,044
Administration of business activities and industry in the Zhambyl region	2015	0.10%	**31,601**	40,613	48,808
Ministry of agriculture of the Republic of Kazakhstan	2012	6.50%	**–**	–	11,826,603
Ministry of finance of the Republic of Kazakhstan	2012	0.01%	**–**	–	17,105,010
Amounts due to the Government of the Republic of Kazakhstan			**15,855,139**	7,632,068	30,517,336

23. Amounts due to credit institutions

Amounts due to credit institutions in KZT comprise:

Bank	*Currency*	*Maturity*	*Annual nominal interest rate*	*2013*	*2012*	*2011*
Sberbank JSC	KZT	2014	7%	**11,019,597**	–	–
Sberbank JSC	KZT	2013	7%	**–**	12,775,323	–
Citibank Kazakhstan	KZT	2014	12 m LIBOR(on the contract date 3.16%) + 3%	**5,069,130**	–	–
Citibank Kazakhstan	KZT	2014	12 m LIBOR(on the contract date 4.8%) + 4%	**3,840,250**	–	–
Citibank Kazakhstan	KZT	2013	7%	**–**	4,001,500	–
"Evraziiskii Bank Razvitiya"	KZT	2018	8%	**2,749,461**	–	–
SB Sberbank of Russia JSC	KZT	2014	8%	**2,042,032**	1,995,386	
"Al Hilal" Islamic Bank	KZT	2014	7%	**678,996**	1,490,360	–
Halyk Saving Bank of Kazakhstan	KZT	2013	5%	**–**	25,058,333	–
Halyk Saving Bank of Kazakhstan	KZT	2013	7%	**–**	8,105,778	–
Halyk Saving Bank of Kazakhstan	KZT	2012	8.50%	**–**	–	9,907,083
Bank Positiv Kazakhstan JSC	KZT	2013	6%	**–**	736,409	–
Bank Positiv Kazakhstan JSC	KZT	2013	7%	**–**	324,391	–
Bank Positiv Kazakhstan JSC	KZT	2012	6.00%	**–**	–	738,273
Kazinvestbank JSC	KZT	2012	6.50%	**–**	–	1,302,347
Alpha Bank	KZT	2012	7.00%	**–**	–	3,613,138
Other amount due to CI	KZT			**–**	12,598	24,322
Amounts due to credit institutions	KZT			**25,399,466**	54,500,078	15,585,163

(in thousands of Kazakh tenge)

23. Amounts due to credit institutions (continued)

Amounts due to credit institutions in USD comprise:

Bank	Currency	Maturity	Annual nominal interest rate	2013	2012	2011
The Royal Bank of Scotland N.V.	USD	2015	2,40%	**14,777,717**	–	–
Sberbank JSC	USD	2014	7%	**7,031,597**	–	–
Sberbank JSC	USD	2012	6%	–	–	12,635,023
Islamic Development Bank	USD	2020	6%	**5,181,955**	4,967,447	4,310,115
Islamic Development Bank	USD	2021	0,41%	**1,066,396**	–	–
Citibank Kazakhstan	USD	2014	12 m LIBOR(on the contract date 3,17%) + 3%	**2,611,370**	–	–
Citibank Kazakhstan	USD	2013	12 month LIBOR+4%	–	3,784,888	–
Citibank Kazakhstan	USD	2013	6%	–	2,261,100	–
Citibank Kazakhstan	USD	2012	4.70%		–	3,710,491
Citibank Kazakhstan	USD	2012	5.70%		–	2,160,000
Deere Credit, Inc.	USD	2018	6%	**2,562,156**	–	–
Deere Credit, Inc.	USD	2018	LIBOR+2.3%	**1,345,685**	1,288,632	
Deere Credit, Inc.	USD	2014	LIBOR+2.5%	**442,348**	1,032,122	1,622,561
Deer Credit, Inc.	USD	2014	LIBOR+0.4%			210,205
Landensbank Berlin A.G.	USD	2013	LIBOR + 0.9%	–	64,742	125,005
Russian Agricultural Bank (RosselkhozBank)	USD	2018	5%	**547,919**	–	–
Bank of Americe (Canada)	USD	2014	LIBOR + 1.5%	**498,396**	1,078,205	1,760,742
CNH International SA	USD	2018	6%	**451,041**	–	
Societe General Bank (Canada)	USD	2014	4%	**374,968**	969,017	1,426,681
United Nations Organisation	USD	2015	0,00%	**133,615**	–	–
Amsterdam Trade Bank NV	USD	2013	5%	–	6,032,615	5,940,667
Commerzbank AG	USD	2013	10,33%	–	2,660,139	7,066,987
PEFCO	USD	2013	LIBOR + 0.4%	–	118,136	348,942
Tabigi orta	USD	2015	0,00%	–	124,873	114,624
Amounts due to credit institutions	USD			**37,025,163**	24,381,916	41,432,043

Amounts due to credit institutions in EUR comprise:

Bank	Currency	Maturity	Annual nominal interest rate	2013	2012	2011
Landensbank Berlin A.G.	EUR	2019	EURIBOR + 1.35%	**1,011,785**	121,293	
Landensbank Berlin A.G.	EUR	2016	EURIBOR +1%	**275,546**	338,319	403,335
Landensbank Berlin A.G.	EUR	2015	EURIBOR +0.35%	**204,588**	319,249	429,960
Landensbank Berlin A.G.	EUR	2014	EURIBOR +1%	**48,333**	62,805	90,771
Landensbank Berlin A.G..	EUR	2013	EURIBOR + 0.35%	–	207,263	396,403
Landensbank Berlin A.G.	EUR	2014	6 month EURIBOR +1%+ Funding spread	–	40,829	65,409
Landensbank Berlin A.G.	EUR	2013	EURIBOR + 0.9%	–	37,459	71,405
Landensbank Berlin A.G.	EUR	2012	6 month EURIBOR +0.4%	–	–	113,441
HSBC Bank (Germany)	EUR	2014	EURIBOR + 0.15%	**313,459**	668,768	1,005,752
HSBC Bank (Germany)	EUR	2015	EURIBOR + 0.17%	**298,792**	419,589	539,289
HSBC Bank Kazakhstan JSC	EUR	2012	6 month EURIBOR+1.3%	–	–	1,454,996
HSBC Bank Kazakhstan JSC	EUR	2012	6 month EURIBOR+1.8%	–	–	1,044,920
HSBC Bank Kazakhstan JSC	EUR	2012	6 month LIBOR+1.3%	–	–	362,374
Amounts due to credit institutions	EUR			**2,152,503**	2,215,574	5,978,055

(in thousands of Kazakh tenge)

23. Amounts due to credit institutions (continued)

Analysis by type of facility:

	As at 31 December					
	2013		2012		2011	
	(KZT thousands)	(%)	(KZT thousands)	(%)	(KZT thousands)	(%)
Loans with fixed interest rates						
Loans from OECD banks	**12,780,470**	**19.79%**	9,211,546	11.29%	21,560,716	31.80%
Loans from non-OECD banks	**36,097,858**	**55.90%**	56,886,051	69.71%	30,592,163	45.12%
Total loans with fixed interest rates	**48,878,328**	**75.69%**	66,097,597	81.00%	52,152,879	76.92%
Loans with floating interest rates						
Loans from OECD banks	**4,438,932**	**6,87%**	11,720,838	14.36%	12,789,826	18.86%
Loans from non-OECD banks	**11,520,750**	**17,84%**	3,784,888	4.64%	2,862,290	4.22%
Total loans with floating interest rates	**15,959,682**	**24,71%**	15,505,726	19.00%	15,652,116	23.08%
Less unamortized portion of borrowing costs	**(260,878)**		(505,755)		(4,809,734)	
Total	**64,577,132**		81,097,568		62,995,261	

Analysis by currency:

	2013	2012	2011
Loans in tenge			
Loans due to Kazakh banks	**11,630,408**	39,729,369	11,972,025
Loans due to foreign banks	**13,769,058**	14,770,709	3,613,138
	25,399,466	54,500,078	15,585,163
Loans denominated in US dollar			
Loans due to Kazakh banks	**2,611,370**	6,170,861	5,985,115
Loans due to foreign banks	**34,413,793**	18,211,055	35,446,928
	37,025,163	24,381,916	41,432,043
Loans denominated in euro			
Loans due to Kazakh banks	–	–	2,862,290
Loans due to foreign banks	**2,152,503**	2,215,574	3,115,765
	2,152,503	2,215,574	5,978,055
Amounts due to credit institutions	**64,577,132**	81,097,568	62,995,261

Financial covenants

In accordance with the terms of the loan agreements with foreign banks, the Group is required to comply with certain financial covenants. Particularly the Group is required to comply with the minimum debt to equity ratio, as well as interest coverage ratio. As at 31 December 2013, 2012 and 2011, the Group complied with the covenants under agreements concluded with these banks. Loan facilities due to Amsterdam Trade Bank NV and Citibank and Sberbank JSC are collateralized by grain receipts.

24. Debt securities issued

Debt securities issued comprise:

	Maturity	Annual interest rate	2013	2012	2011
Kazakhstani bonds issued by National Management Holding KazAgro JSC	2023	0%	**66,094,998**	62,322,783	58,767,224
Kazakhstani bonds issued by National Company Food Contract Corporation JSC	2013-2018	7.5%-10.5%	**45,254,270**	68,185,882	56,141,670
Kazakhstani bonds issued by Agrarain Credit Corporation JSC	2014-2015	7%-8%	**5,905,223**	3,907,623	5,349,575
Debt securities issued			**117,254,491**	134,416,288	120,258,469

(in thousands of Kazakh tenge)

24. Debt securities issued (continued)

According to the Resolution of the Government of the Republic of Kazakhstan dated 25 November 2008 No. 1085, on 17 February 2009, KZT 120,000,000 thousand were allocated from the National fund of the Republic of Kazakhstan to the Group for support and development of agricultural sector. Financing was made through private placement of the Group's bonds to the National Bank of the Republic of Kazakhstan with maturity within 2023 and with coupon interest rate at 0.02% per annum. At initial recognition, the difference between fair value of debt instrument and its nominal value was recorded in additional paid-in capital. The fair value of the instrument was determined by discounting of cash flows at yield to maturity at 6%.

25. Eurobonds issued

On 24 May 2013, the Group issued Eurobonds for the purpose of general corporate needs in the amount of USD 1,000,000,000 within the bond Program of issuing debt instruments within the limit of USD 2,000,000,000 with maturity in 2023, with nominal coupon interest in the amount of 4.625% p.a. These Eurobonds are listed on Irish Stock Exchange Limited and Kazakhstan Stock Exchange (KASE). As at 31 December 2013, the carrying value of issued debt securities was KZT 153,676,011 thousand.

26. Trade accounts payable

Trade accounts payable comprise:

	2013	*2012*	*2011*
Trade accounts payable to vendors	**6,574,912**	4,927,437	2,321,646
Trade accounts payable on grain shortage to processors	**738,576**	–	–
Trade accounts payable for storage services	**638,325**	646,326	833,850
Trade accounts payable for grain supply	–	–	1,292,949
Other trade accounts payable	**498,029**	486,510	615,131
Trade accounts payable	**8,449,842**	6,060,273	5,063,576

27. Advances received

Advances received comprise:

	2013	*2012*	*2011*
Prepayments for property held for finance leases	**3,755,733**	3,213,801	2,302,050
Advances received for grain	**737,232**	1,532,310	253,678
Other	**29,426**	20,919	74,643
Advances received	**4,522,391**	4,767,030	2,630,371

28. Taxation

The corporate income tax expense comprises:

	2013	*2012*	*2011*
Current tax charge	**3,379,422**	1,804,662	1,269,888
Deferred tax (benefit)/charge – origination and reversal of temporary differences	**(2,371,455)**	(44,913)	(2,155,605)
Less: deferred tax recognised in equity	**689,065**	(38,530)	1,413,277
Income tax expense	**1,697,032**	1,721,219	527,560

Deferred tax related to items charged or credited to equity during the year is as follows:

	2013	*2012*	*2011*
Deemed distribution reserve	**(929,417)**	247,593	1,413,277
Additional paid in capital	**1,618,482**	(286,123)	–
Income tax effect recognised in equity	**689,065**	(38,530)	1,413,277

(in thousands of Kazakh tenge)

28. Taxation (continued)

The Company and its subsidiaries, other than Batumi Grain Terminal LLP are subject to taxation in the Republic of Kazakhstan. Batumi Grain Terminal LLP is subject to taxation in the Georgia. Kazakhstani legal entities have to file individual corporate income tax declarations. Standard corporate income tax rate comprised 20% for 2013, 2012 and 2011. The effective tax rate differs from the statutory income tax rates.

As at 31 December 2013, 2012 and 2011, the Group had current corporate income tax assets and liabilities as follows:

	2013	*2012*	*2011*
Current Income tax assets	**1,091,007**	89,717	1,051,126
Current Income tax liabilities	**(105,951)**	(139,081)	–
	985,056	(49,364)	1,051,126

Reconciliation between income tax expense in the consolidated financial statements and income before taxes multiplied by the statutory tax rate for the year ended 31 December is as follows:

	2013	*2012*	*2011*
Profit before income tax	**3,382,431**	4,005,435	4,602,891
Statutory tax rate	**20%**	20%	20%
Theoretical income tax expense at the statutory rate	**676,486**	801,087	920,579
Non-taxable income			
-income on finance lease receivables	**(1,484,497)**	(1,116,466)	(927,462)
-other income	**(148,518)**	(74,579)	(28,834)
Income from revaluation of available-for-sale investment securities	**(258)**	(48,327)	–
Non-deductible expenses			
- allowance for interest earning assets impairment	**2,485,597**	1,451,932	475,640
- non-deductible other taxes	**2,276**	1,542	53,158
- interest expenses on amounts due to credit institutions	–	54,341	34,479
Other non-deductible expense	**126,266**	327,903	–
Allowance for impairment of property held for finance lease	**39,680**	110,698	–
Impairment of construction-in process	–	213,088	–
Income tax expense	**1,697,032**	1,721,219	527,560

(in thousands of Kazakh tenge)

28. Taxation (continued)

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*			*Origination and reversal of temporary differences*		
	2010	*In the income statement*	*In statement of changes in equity*	*2011*	*In the income statement*	*In statement of changes in equity*	*2012*	*In the income statement*	*In statement of changes in equity*	*2013*
Tax effect of deductable temporary differences										
Tax losses carried forward	2,302,759	(869,083)	–	1,433,676	207,529	–	1,641,205	(1,293,472)	–	347,733
Derivative financial assets	(476,054)	480,153	–	4,099	240,571	–	244,670	350,421	–	595,091
Loans to customers	1,017,403	20,668	1,413,277	2,451,348	(496,783)	247,593	2,202,158	1,420,840	(929,417)	2,693,581
Finance lease receivables	126,828	(108,960)	–	17,868	(257,166)	–	(239,298)	(238,158)	–	(477,456)
Accounts receivable	–	30,753	–	30,753	(226,909)	–	(196,156)	(514,915)	–	(711,071)
Amounts due to the Government	(10,970,599)	570,469	–	(10,400,130)	762,456	(286,123)	(9,923,797)	954,854	1,618,482	(7,350,461)
Effect of changes in tax rates	(2,695,665)	–	–	(2,695,665)	–	–	(2,695,665)	–	–	(2,695,665)
Amounts due to the credit institutions	–	(24,895)	–	(24,895)	(73,260)	–	(98,155)	68,449	–	(29,706)
Property and equipment	(420,117)	40,107	–	(380,010)	(3,522)	–	(383,532)	(4,493)	–	(388,025)
Provision for unused vacation	48,547	6,723	–	55,270	8,129	–	63,399	15,934	–	79,333
Impairment charge	(1,385,097)	619,295	–	(765,802)	617,755	–	(148,047)	148,047	–	–
Dynamic reserves	–	–	–	–	(698,375)	–	(698,375)	698,375	–	–
Other	647,350	(22,902)	–	624,448	3,018	–	627,466	76,508	–	703,974
Net deferred income tax assets/(liabilities)	(11,804,645)	742,328	1,413,277	(9,649,040)	83,443	(38,530)	(9,604,127)	1,682,390	689,065	(7,232,672)
Deferred income tax assets	1,505,821	1,614,363	1,413,277	4,533,461	36,396	247,593	4,817,450	714,321	(929,417)	4,602,354
Deferred income tax liabilities	(13,310,466)	(872,035)	–	(14,182,501)	47,047	(286,123)	(14,421,577)	968,070	1,618,482	(11,835,025)

(in thousands of Kazakh tenge)

29. Equity

Movements in shares outstanding, issued and fully paid were as follows:

	Placement value per share (tenge)	*Number of common shares issued*	*Total (000' tenge)*
At 31 December 2010		195,363,677	195,363,677
Increase in share capital	1,000	50,900,000	50,900,000
At 31 December 2011		246,263,677	246,263,677
Increase in share capital	1,000	7,759,234	7,759,234
At 31 December 2012		254,022,911	254,022,911
Increase in share capital	1,000	**13,793,820**	**13,793,820**
At 31 December 2013		**267,816,731**	**267,816,731**

As at 31 December 2013 total amount of authorized, issued and fully paid common shares comprised 267,816,731 (2012: 254,022,911; 2011: 246,263,677) shares, respectively. In accordance with the order of the Government of the Republic of Kazakhstan the Group received KZT 13,793,820 thousand from sole shareholder as a cash contribution to share capital during 2013 (2012: KZT 7,759,234 thousand; 2011: KZT 50,900,000 thousand)

Book value per share

As at 31 December 2013, the Group's book value per common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,173.58 (2012: KZT 1,175.00; 2011: KZT 1,166.75)

Dividends

The Group has not declared yet any dividends in respect of the current reporting period. At the general meeting of shareholders held on 27 August 2013, the Group declared dividends for the year ended 31 December 2012, in the amount of 146,780 thousand Tenge ordinary shares and paid on 28 August2013. At the general meeting of shareholders held on 24 July 2012, the Group declared dividends for the year ended 31 December 2011, in the amount of 300,152 thousand Tenge ordinary shares (2011: KZT 248,154 thousand).

Additional paid-in capital

At initial recognition the difference between the nominal amount of loans due to the Government of the Republic of Kazakhstan, and their fair value is recognized as a shareholders' contribution at initial recognition as a part of additional paid-in capital of KZT 67,743,159 thousand as at 31 December 2013 (2012: KZT 61,269,231; 2011: KZT 60,124,737 thousand). During 2013 such difference amounted to KZT 6,473,928 thousand net of tax. (2012: 1,144,494 thousand net of tax; 2011: nil).

Capitalization reserve

In April 2007, the Group received common shares of its subsidiaries as contribution to the share capital of the Group. As at the date of transfer the fair value of the shares was less than the cost of shares transferred. The difference in the amount of KZT 10,974,734 thousand was recorded as the capitalization reserve. There were no changes in this reserve during 2013, 2012 and 2011.

Reserve capital

In accordance with the Group's policy, reserve capital is formed to cover general risks, including deferred losses and other contingent risks and liabilities. Reserve capital is subject to distribution on the basis of decision of general shareholders meeting. It was decided at the shareholder's meeting to allocate KZT 553,670 thousand to the reserve during 2013 (2012: KZT 874,448 thousand; 2011 KZT 2,488,880 thousand) and totaled to KZT 7,788,321 thousand as at 31 December 2013 (2012: KZT 7,234,651 thousand; 2011: KZT 6,360,203 thousand).

Deemed distribution reserve

The difference between the nominal amount of those loans receivable which were funded by the shareholder of the Group, and their fair value is recognized as a distribution to shareholder at initial recognition as a part of deemed distribution reserve of KZT 3,717,666 thousand net of tax as at 31 December 2013 (2012: KZT 990,372 thousand net of tax; 2011: KZT 5,653,105 thousand net of tax).

(in thousands of Kazakh tenge)

29 Equity (continued)

Earnings per share

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

The following reflects the income and share data used in the basic earnings per share computations for the years ended 31 December:

	2013	*2012*	*2011*
Net income attributable to shareholder for basic and diluted earnings per share from continuing operations	**2,938,125**	2,283,206	4,037,753
Weighted average number of common shares for basic and diluted earnings per share	**263,150,840**	249,637,676	210,569,080
Basic and diluted earnings per share for the period (tenge)	**11.17**	9.15	19.18

No dilutive instruments were outstanding as at and during the years ended 31 December 2013, 2012 and 2011.

30. Commitments and contingencies

Operating environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within the Republic of Kazakhstan. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Kazakh banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Borrowers could also be affected by deterioration in liquidity and weather conditions that, in turn, affects their ability to settle their debt to the Group. The borrowers are also exposed to global commodity price risks and taking into account the cyclicality of agricultural industry that could affect their ability to repay debt on time.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation

Kazakhstani commercial, and in particular, tax legislation contain regulations, interpretation of which could vary, and in certain cases the legislation could be amended with indirect retrospective impact. In addition, Group's management's interpretation of the legislation may differ from that of tax authorities, and in the result transactions carried out by the Group could be estimated by tax authorities in other way, and this could result in additional charge of taxes, fines and penalties. Group's management considers that all necessary tax accruals were fulfilled and, correspondingly, there were no any allowances charged in the statements. Tax periods remain open for five years.

Commitments and contingencies

As at 31 December the Group's commitments and contingencies comprised the following:

	2013	*2012*	*2011*
Undrawn credit lines	**48,136,443**	41,482,633	26,707,009
Guaranteed grain and cotton receipts	**693,792**	195,000	7,861,508
Credit related commitments	**48,830,235**	41,677,633	34,568,517

(in thousands of Kazakh tenge)

31. Revenue from sales of goods and services

Revenue from sales of goods and services comprises:

	2013	*2012*	*2011*
Sale of grain	**42,767,624**	66,537,219	58,013,219
Sale of cotton	**2,885,062**	3,393,465	2,030,272
Rendering of services	**1,831,287**	1,807,336	1,505,185
Sale of wool	**593,756**	82,651	68,708
Sale of flour	**591,874**	249,575	–
Sale of dairy production	**238,190**	148,563	129,716
Sale of tomato paste	**112,787**	108,344	196,921
Other revenue	**2,350,918**	2,155,664	2,245,710
Revenue	**51,371,498**	74,482,817	64,189,731

32. Cost of sales

Cost of sales comprises:

	2013	*2012*	*2011*
Cost of grain sold	**(32,790,055)**	(41,366,615)	(50,667,627)
Cost of cotton sold	**(2,738,710)**	(3,531,252)	(1,571,596)
Cost of rendering services	**(1,306,820)**	(1,163,809)	(1,139,131)
Cost of tomato paste sold	**(779,026)**	(388,106)	(3,482)
Cost of flour	**(612,608)**	(251,051)	–
Cost of wool	**(548,846)**	(75,608)	(75,608)
Cost of dairy products	**(235,621)**	(181,533)	(181,533)
Other cost of sales	**(2,128,677)**	(2,219,384)	(1,831,052)
Cost of sales	**(41,140,363)**	(49,177,358)	(55,470,029)

33. Interest income

Interest income comprises:

	2013	*2012*	*2011*
Interest income on loans to customers	**16,121,914**	13,243,149	14,172,139
Interest income on finance lease receivables	**9,756,089**	7,779,551	6,326,835
Interest income on amounts due from credit institutions	**4,666,850**	1,644,207	1,933,256
Interest income from cash and cash equivalents	**1,937,139**	1,460,947	1,882,105
Interest income on investment securities available-for-sale	**–**	–	214,108
Other	**132,743**	222,044	86,613
Interest income	**32,614,735**	24,349,898	24,615,056

34. Interest expense

Interest expense comprises:

	2013	*2012*	*2011*
Interest expense on debt securities issued	**(6,719,422)**	(9,945,900)	(8,531,968)
Interest expense on amounts due to credit institutions	**(5,108,171)**	(3,833,610)	(2,602,793)
Interest expense on Eurobonds issued	**(4,267,295)**	–	–
Interest expense on amounts due to the Government of the Republic of Kazakhstan	**(1,576,372)**	(2,704,599)	(1,174,945)
Other	**(631,942)**	(255,109)	(64,690)
Interest expense	**(18,303,202)**	(16,739,218)	(12,374,396)

(in thousands of Kazakh tenge)

35. Impairment charge for interest earning assets

Impairment charge for interest earning assets comprises:

	2013	*2012*	*2011*
Loans to customers (Note 9)	**(4,179,758)**	(8,266,006)	(1,690,074)
Finance lease receivables (Note 10)	**(1,856,717)**	(2,894,189)	(2,011,815)
Impairment charge for interest earning assets	**(6,036,475)**	(11,160,195)	(3,701,889)

36. Net gains/(losses) on derivative financial assets

Net losses on derivative financial assets comprise:

	2013	*2012*	*2011*
Realised gains on derivative financial assets	**991,756**	1,236,385	1,384,601
Unrealised losses on derivative financial assets	**(1,453,776)**	(1,202,855)	(3,553,331)
Net gains/(losses) on derivative financial assets	**(462,020)**	33,530	(2,168,730)

37. Other income

Other income comprises:

	2013	*2012*	*2011*
Fines and penalties received	**1,497,662**	1,313,296	68,563
Agency services	**519,748**	45,871	–
Gain from initial recognition of loans received from Islamic development Bank	**131,561**	61,430	–
Income from sales of investment securities	**98,606**	41,294	–
Insurance services (Note 42)	**57,585**	57,607	49,640
Dividend income	**53,925**	532,003	31,142
Income from revaluation of investment securities	**–**	82,530	–
Fees and commissions received	**–**	340,647	152,365
Gain from sale of assets held for sales	**–**	20,862	–
Gains/(losses) on sale of property and equipment	**4,806**	(36,632)	225,794
Other	**525,335**	221,124	228,596
Other income	**2,889,228**	2,680,032	756,100

(in thousands of Kazakh tenge)

38. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2013	*2012*	*2011*
Salaries and bonuses	**(4,941,437)**	(4,371,748)	(4,134,509)
Social security costs	**(487,237)**	(423,711)	(406,199)
Personnel expenses	**(5,428,674)**	(4,795,459)	(4,540,708)
Depreciation and amortization	**(391,660)**	(439,778)	(452,558)
Rent	**(361,851)**	(347,628)	(282,326)
Professional services	**(325,670)**	(282,571)	(138,106)
Taxes other than income	**(289,392)**	(433,358)	(388,345)
Advertising and marketing expenses	**(240,579)**	(206,770)	(131,714)
Business trip and representation expenses	**(183,172)**	(230,907)	(131,378)
Repairs and maintenance expenses	**(151,805)**	(215,515)	(129,992)
Materials	**(145,288)**	(503,909)	(172,031)
Communication expenses	**(105,589)**	(170,185)	(106,616)
Bank fees	**(96,590)**	(109,993)	(73,463)
Charity and sponsorship expenses	**(85,406)**	(52,224)	(72,080)
Insurance	**(84,057)**	(77,286)	(35,168)
Third party services	**(68,779)**	(28,468)	(4,810)
Utilities	**(37,919)**	(26,873)	(22,827)
Training	**(35,613)**	(39,284)	(8,084)
Security	**(23,233)**	(20,609)	(17,727)
Events organizations	**(18,620)**	(83,911)	(92,511)
Software development expenses	**(11,184)**	(91,082)	(43,748)
Stationary	**(6,013)**	(17,802)	(11,820)
Transport and forwarding expenses	**(2,322)**	(18,863)	(31,487)
Other	**(517,551)**	(945,723)	(535,235)
Other operating expenses	**(3,182,293)**	(4,342,739)	(2,882,026)

39. Selling expenses

Selling expenses comprise:

	2013	*2012*	*2011*
Grain storage expenses	**(3,158,665)**	(6,060,733)	(2,618,949)
Salaries and related taxes	**(1,910,248)**	(1,390,604)	(1,301,684)
Materials	**(69,368)**	(95,562)	(74,772)
Depreciation and amortisation	**(36,076)**	(36,817)	(52,387)
Marketing	**(2,191)**	(59,489)	(32,349)
Dispatching services	**(987,044)**	(214,936)	(12,541)
Other selling expenses	**(587,613)**	(313,135)	(659,989)
Selling expenses	**(6,751,205)**	(8,171,276)	(4,752,671)

40. Net losses from adjustment of changes in future cash flows from loans to customers.

In the ordinary course of business, the Group revises calculation of cash inflow of loans to customers through providing prolongations and possibility for early redemption in connection with the events not related to impairment of loans. The Group recalculates carrying amount by computing the present value of estimated future cash flows at the initial effective rate. The effect of changes in the carrying amounts is recognized through profit and loss. During 2013, the Group recorded losses of KZT 286,042 thousand on revised loans to customers (2012: KZT 345,261 thousand; 2011: KZT 262,797 thousand).

(in thousands of Kazakh tenge)

41. Other reversal / (impairment charge)

The movements in other impairment allowances were as follows:

	Accounts receivable	*Advances paid*	*Assets held for sale*	*Assets held for finance lease*	*VAT and other taxes recoverable*	*Property*	*Other assets*	*Total*
31 December 2010	4,754,921	976,130	–	–	326,919	1,418,419	493,194	7,969,583
Charge (reversal)	296,039	(865,513)	–	47,719	–	31,425	190,060	(300,270)
Recoveries	1,244,980	–	–	–	–	–	–	1,244,980
Write-offs	(11,633)	–	–	–	–	(21,586)	(24,766)	(57,985)
31 December 2011	6,284,307	110,617	–	47,719	326,919	1,428,258	658,488	8,856,308
Charge (reversal)	726,160	340,475	44,158	509,333	(326,919)	940,057	38,821	2,272,085
Write-offs	(124,651)	–	(44,158)	–	–	–	(75,591)	(244,400)
31 December 2012	6,885,816	451,092	–	557,052	–	2,368,315	621,718	10,883,993
Charge (reversal)	**189,341**	**(252,897)**	**191,260**	**709,702**	**–**	**113,319**	**207,474**	**1,158,199**
Write-offs	**(195,628)**	**(81,927)**	**(46,720)**	**(420,558)**	**–**	**–**	**(8,863)**	**(753,696)**
31 December 2013	**6,879,529**	**116,268**	**144,540**	**846,196**	**–**	**2,481,634**	**820,329**	**11,288,496**

42. Fiduciary activities

Loans from the Ministry of finance of the Republic of Kazakhstan

On the basis of the resolution of the Government of the Republic of Kazakhstan No. 1332 dated 24 December 1998 Concerning certain issues of Fund of Financial Support to Agricultural Sector JSC the Ministry of finance has transferred certain loans issued to farmers to the amount of KZT 11,882,900 thousand. The Group acts on behalf of the Ministry of Finance as a collection agent and is allowed to use proceeds from repayment of previously issued loans for lending purposes. During 2013, the Group has collected from farmers and repaid previously received loans in the amount of KZT 638 thousand (2012: KZT 1,350 thousand; 2011: KZT 2,395 thousand).

Agriculture insurance

According to the agreement with the Ministry of agriculture dated 5 November 2004, the Group acts as an agent in managing state funds allocated for the support of obligatory insurance in planting. The Government through the Group reimburses 50% of insurance claims accepted and paid by the insurance companies. Funds are provided by the Ministry of agriculture. During 2013 the Group earned an agency fee of KZT 57,585 thousand (2012: KZT 57,607 thousand, 2011: 49,640 thousand). Total amount of claims reimbursed in 2013 stood at KZT 724,300 thousand (2012: KZT 47,446 thousand; 2011: KZT 1,103,294 thousand).

Mortgage program in the rural area

In April 2010, the Group launched a new program in cooperation with the Government regional agencies to act as an agent in provision of housing mortgage lending in rural sector. The Group charges a management fee of 3% per annum of mortgage loan outstanding. During 2013, the Group disbursed on behalf of municipalities KZT 6,971,594 thousand (2012: KZT 7,050,058 thousand; 2011: KZT 5,078,033 thousand) and earned management fees of KZT 519,748 thousand (2012: KZT 340,647 thousand; 2011: KZT 152,365 thousand).

43. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market non-trading risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

43. Risk management (continued)

Introduction (continued)

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Risk management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk controlling

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Group. Each business group has a decentralised unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Group treasury

Group Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

The objective of internal audit is to provide the Board of Directors with independent, objective and unbiased information based on audits performed throughout the year. Risk management processes throughout the Group are audited annually by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Directors.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Board of Directors, the Management Board, the Assets and Liabilities Management Committee, Credit Committee and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Regular reports are provided to the Management Board and all other relevant employees of the Group on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments

(in thousands of Kazakh tenge)

43. Risk management (continued)

Risk measurement and reporting systems (continued)

Risk mitigation

As part of its overall risk management, the Group uses derivatives to manage exposures resulting from changes foreign currencies. The Group actively uses collateral to reduce its credit risks (see below for more detail).

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Notes 9.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Group's credit rating system. Borrowers with good financial position and good debt service are included in the standard grade. Substandard grade comprises loans below standard grade. Both standard and substandard grades are collectively determined to be impaired.

2013	*Standard grade*	*Substandard grade*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents less cash on hand	55,817,458	–	–	–	55,817,458
Amounts due from credit institutions	115,853,307	–	–		115,853,307
Derivative financial assets	4,013,694	–	–	–	4,013,694
Loans to customers	133,002,220	47,723,863	9,018,454	35,000,663	224,745,200
Finance lease receivables	27,685,512	65,966,609	5,131,988	34,249,342	133,033,451
Accounts receivable	55,411,782	10,775,518	–	6,850,923	73,038,223
Total	391,783,973	124,465,990	14,150,442	76,100,928	606,501,333

(in thousands of Kazakh tenge)

43. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

2012	*Standard grade*	*Substandard grade*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents less cash on hand	64,410,126	–	–	–	64,410,126
Amounts due from credit institutions	15,255,645	–	–	104,282	15,359,927
Derivative financial assets	5,467,552	–	–	–	5,467,552
Loans to customers	107,516,246	20,382,933	20,476,943	26,227,423	174,603,545
Finance lease receivables	20,241,076	48,154,249	5,549,914	26,646,154	100,591,393
Accounts receivable	75,227,907	–	–	6,885,816	82,113,723
Total	288,118,552	68,537,182	26,026,857	59,863,675	442,546,266

2011	*Standard grade*	*Substandard grade*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents less cash on hand	54,764,451	–	–	–	54,764,451
Amounts due from credit institutions	18,702,795	–	–	104,282	18,807,077
Derivative financial assets	6,905,476	–	–	–	6,905,476
Loans to customers	103,795,540	11,096,179	21,899,343	28,691,339	165,482,401
Finance lease receivables	11,926,467	40,982,051	2,319,321	19,960,256	75,188,095
Accounts receivable	52,907,939	–	–	2,170,483	55,078,422
Total	249,002,668	52,078,230	24,218,664	50,926,360	376,225,922

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk.

Aging analysis of past due but not impaired per class of financial assets

2013	*Less than 30 days*	*31 to 60 days*	*61 to 90 days*	*Over 90 days*	*Total*
Loans to customers	**3,254,241**	**3,172,597**	**360,058**	**2,231,558**	**9,018,454**
Finance lease receivables	**335,248**	**803,836**	**857,209**	**3,135,695**	**5,131,988**
Total	**3,589,489**	**3,976,433**	**1,217,267**	**5,367,253**	**14,150,442**

2012	*Less than 30 days*	*31 to 60 days*	*61 to 90 days*	*Over 90 days*	*Total*
Loans to customers	1,953,908	922,178	413,910	17,186,947	20,476,943
Finance lease receivables	713,042	1,388,225	905,667	2,542,980	5,549,914
Total	2,666,950	2,310,403	1,319,577	19,729,927	26,026,857

2011	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Loans to customers	1,818,949	2,205,978	1,461,661	16,412,755	21,899,343
Finance lease receivables	351,518	250,620	463,896	1,253,287	2,319,321
Total	2,170,467	2,456,598	1,925,557	17,666,042	24,218,664

See Notes 9 and 10 for more detailed information with respect to the allowance for impairment of loans to customers and finance lease receivables.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(in thousands of Kazakh tenge)

43. Risk management (continued)

Credit risk (continued)

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowance

Allowances are assessed collectively for losses on loans to customers that are not individually significant and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

(in thousands of Kazakh tenge)

43 Risk management (continued)

Credit risk (continued)

Collectively assessed allowance (continued)

The geographical concentration of Group's monetary assets and liabilities is set out below:

	2013					*2012*					*2011*				
	Republic of Kazakhstan	*OECD*	*CIS*	*Other*	*Total*	*Republic of Kazakhstan*	*OECD*	*CIS*	*Other*	*Total*	*Republic of Kazakhstan*	*OECD*	*CIS*	*Other*	*Total*
Assets															
Cash and cash equivalents	53,969,345	1,844,064	10,630	27	55,824,066	64,237,304	–	1,198	176,084	64,414,586	54,734,078	–	49,805	–	54,783,883
Amounts due from credit institutions	115,643,307	210,000	–	–	115,853,307	15,255,645	–	–	–	15,255,645	18,702,795	–	–	–	18,702,795
Derivative financial assets	4,013,694	–	–	–	4,013,694	5,467,552	–	–	–	5,467,552	6,905,476	–	–	–	6,905,476
Loans to customers	199,326,232	–	–	–	199,326,232	151,700,282	–	–	–	151,700,282	149,281,585	–	–	–	149,281,585
Finance lease receivables	123,790,528	–	–	–	123,790,528	93,216,770	–	–	–	93,216,770	70,566,373	–	–	–	70,566,373
Accounts receivable	65,672,608	486,086	–	–	66,158,694	75,158,623	–	7	69,277	75,227,907	52,881,874	–	26,065	–	52,907,939
	562,415,714	2,540,150	10,630	27	564,966,521	405,036,176	–	1,205	245,361	405,282,742	353,072,181	–	75,870	–	353,148,051
Amounts due to the Government of the Republic of Kazakhstan	15,855,139	–	–	–	15,855,139	7,632,068	–	–	–	7,632,068	30,517,336	–	–	–	30,517,336
Debt securities issued	117,254,491	–	–	–	117,254,491	134,416,288	–	–	–	134,416,288	120,258,469	–	–	–	120,258,469
Eurobonds issued	–	153,676,011	–	–	153,676,011	–	–	–	–	–	–	–	–	–	–
Amount due from credit instituations	20,772,222	43,256,991	547,919	–	64,577,132	45,900,230	15,459,182	14,770,709	4,967,447	81,097,568	20,819,430	25,230,693	12,635,023	4,310,115	62,995,261
Trade accounts payable	3,148,759	3,423,140	1,877,943	–	8,449,842	6,060,273	–	–	–	6,060,273	3,011,993	2,040,815	10,768	–	5,063,576
Other financial liabilities	535,757	–	–	–	535,757	51,112	–	–	–	51,112	116,734	–	–	–	116,734
	157,566,368	200,356,142	2,425,862	–	360,348,372	194,059,971	15,459,182	14,770,709	4,967,447	229,257,309	174,723,962	27,271,508	12,645,791	4,310,115	218,951,376
	404,849,347	(197,815,992)	(2,415,232)	27	204,618,150	210,976,205	(15,459,182)	(14,769,504)	(4,722,086)	176,025,433	178,348,219	(27,271,508)	(12,569,921)	(4,310,115)	134,196,675

(in thousands of Kazakh tenge)

43 Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many counterparties will not request repayment on the earliest date the Group could be required to pay.

Financial liabilities As at 31 December 2013	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Government of the Republic of Kazakhstan	–	5,312,861	10884229	–	16,197,089
Amounts due to credit institutions	9,528,628	83,878,950	16,976,250	900,863	111,284,691
Debt securities issued	12,000	6,978,083	57,479,123	120,120,000	184,589,206
Eurobonds issued	–	7,104,462	28,417,850	185,580,081	221,102,394
Trade accounts payable	1,862,244	6,587,598	–	–	8,449,842
Other financial liabilities	–	535,757	–	–	535,757
Total undiscounted financial liabilities	11,402,872	110,397,711	113,757,452	306,600,944	542,158,979

Financial liabilities As at 31 December 2012	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Government of the Republic of Kazakhstan	180,991	7,050,702	756,135	–	7,987,828
Amounts due to credit institutions	4,154,331	66,665,146	6,676,194	4,152,652	81,648,323
Debt securities issued	23,956,807	3,742,249	61,092,883	120,144,000	208,935,939
Trade accounts payable	1,132,836	4,927,437	–	–	6,060,273
Other financial liabilities	51,112	–	–	–	51,112
Total undiscounted financial liabilities	29,476,077	82,385,534	68,525,212	124,296,652	304,683,475

Financial liabilities As at 31 December 2011	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Government of the Republic of Kazakhstan	125,176	13,162,491	17,232,280	20,818	30,540,765
Amounts due to credit institutions	6,688,058	44,773,446	12,175,610	4,167,881	67,804,995
Debt securities issued	211,110	8,113,997	61,822,743	122,555,800	192,703,650
Trade accounts payable	4,940,678	122,898	–	–	5,063,576
Other financial liabilities	116,734	–	–	–	116,734
Total undiscounted financial liabilities	12,081,756	66,172,832	91,230,633	126,744,499	296,229,720

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
2013 (Note 30)	**2,914,109**	**19,838,437**	**1,232,574**	**24,845,115**	**48,830,235**
2012 (Note 30)	2,050,303	15,902,244	20,088,002	3,637,084	41,677,633
2011 (Note 30)	2,291,724	16,856,521	13,056,326	2,363,946	34,568,517

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The Group's capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

(in thousands of Kazakh tenge)

43 Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The Group has received significant funds from Government of the Republic of Kazakhstan and credit institutions. Any significant withdrawal of these funds would have an adverse impact on the operations of the Group. Management believes that this level of funding will remain with the Group for the foreseeable future and that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges. The market non-trading risk is managed and monitored using sensitivity analysis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

Currency	*Increase in basis points 2013*	*Sensitivity of net interest income 2013*	*Sensitivity of equity 2013*
EUR	100	(10,367)	(10,367)
USD	100	5,261	5,261

Currency	*Increase in basis points 2012*	*Sensitivity of net interest income 2012*	*Sensitivity of equity 2012*
EUR	100	(7,908)	(7,908)
USD	100	(46,396)	(46,396)

Currency	*Increase in basis points 2011*	*Sensitivity of net interest income 2011*	*Sensitivity of equity 2011*
EUR	100	(40,493)	(40,493)
USD	100	(11,186)	(11,186)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the FMSC recommendations. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the KZT, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the income statement. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

(in thousands of Kazakh tenge)

43 Risk management (continued)

Market risk (continued)

Currency risk (continued)

Currency	*Change in currency rate in % 2013*	*Effect on profit before tax 2013*	*Change in currency rate in % 2012*	*Effect on profit before tax 2012*	*Change in currency rate in % 2011*	*Effect on profit before tax 2011*
USD	**10**	**(8,427,965)**	(1.57)	58,734	(10.72)	729,286
USD	**30**	**(25,283,895**	1.57	(58,734)	10.72	(699,954)
EUR	**10**	**561,128**	(10.77)	(49,915)	(16.33)	(325,022)
EUR	**30**	**1,683,385**	10.77	49,915	16.33	497,469
RUR	–	–	(10.74)	99,242	(16.01)	(27,586)
RUR	–	–	10.74	(99,242)	16.01	27,586
Islamic dinar	**10**	**(151,840)**	(10.31)	(25,748)	–	–
Islamic dinar	**30**	**(455,520)**	10.31	25,748	–	–

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected when interest rates fall.

If 10% of loan portfolio were to prepay at the beginning of the year, with all other variables held constant, the profit before tax for the year would be reduced by KZT 321,377 thousand (2012: KZT 321,284 thousand; 2011: KZT 388,581 thousand).

If 10% of debt portfolio were to prepay at the beginning of the year, with all other variables held constant, the profit before tax for the year would be increased by KZT 351,363 thousand (2012: KZT 931,451 thousand; 2011: KZT 547,059 thousand).

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

44. Fair values of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(in thousands of Kazakh tenge)

44. Fair values of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets, measured at fair value				
Derivative financial assets	–	–	4,013,694	4,013,694
Investment securities available-for-sale	388,405	–	–	388,405
Total financial assets measured at fair value	338,405	–	4,013,694	4,402,099
Assets whose fair value is disclosed				
Cash and cash equivalents	–	–	55,824,066	55,824,066
Amounts due from credit institutions	–	–	115,853,307	115,853,307
Loans to customers	–	–	189,091,725	189,091,725
Finance lease receivables	–	–	114,486,247	114,486,247
Account receivable	–	–	66,715,253	66,715,253
Total financial assets whose fair value is disclosed	–	–	541,970,598	541,970,598
Financial liabilities whose fair value is disclosed				
Amounts due to the shareholder	–	–	15,826,398	15,826,398
Eurobond issued	140,349,227	–	–	140,349,227
Amounts due to credit institutions	–	–	63,972,033	63,972,033
Debt securities issued	–	–	117,143,611	117,143,611
Other liabilities	–	–	535,757	535,757
Total financial liabilities whose fair value is disclosed	140,349,227	–	197,477,799	337,827,026

31 December 2012	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Derivative financial assets	–	5,467,552	–	5,467,552
Investment securities available-for-sale	309,834	–	–	309,834
Total financial assets	309,834	5,467,552	–	5,777,386

31 December 2011	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Derivative financial assets	–	6,905,476	–	6,905,476
Investment securities available-for-sale	833,008	–	–	833,008
Total financial assets	833,008	6,905,476		7,738,484

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

The Group determines fair value using valuation method, usually applied by market participants. As for embedded derivative instruments assumptions are made on the basis of market data adjusted by specific characteristics of the instrument. The Group uses Black-Scholes model to evaluate its financial instruments and assumptions used in valuation model (such as risk free rates and volatility coefficients), quoted at Bloomberg.

(in thousands of Kazakh tenge)

44. Fair values of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2013	*Fair value 2013*	*Unrecognised gain/(loss) 2013*	*Carrying value 2012*	*Fair value 2012*	*Unrecognised gain/(loss) 2012*	*Carrying value 2011*	*Fair value 2011*	*Unrecognised gain/(loss) 2011*
Financial assets									
Cash and cash equivalents	55,824,066	55,824,066	–	64,414,586	64,414,586	–	54,783,883	54,783,883	–
Amounts due from credit institutions	115,853,307	115,853,307	–	15,255,645	15,255,645	–	18,702,795	18,702,795	–
Loans to customers	199,326,232	189,091,725	(10,234,507)	151,700,282	144,982,733	(6,717,549)	149,281,585	144,928,596	(4,352,989)
Finance lease receivables	123,790,528	114,486,247	(9,304,281)	93,216,770	86,673,952	(6,542,818)	70,566,373	62,731,523	(7,834,850)
Accounts receivable	66,158,694	66,715,253	556,559	75,227,907	75,328,000	100,093	52,907,939	52,907,939	–
			(18,982,229)			(13,160,274)			(12,187,839)
Financial liabilities									
Amounts due to the Government of the Republic of Kazakhstan	15,855,139	15,826,398	28,741	7,632,068	7,309,661	322,407	30,517,336	30,063,668	453,668
Amounts due to credit institutions	64,577,132	63,972,033	605,099	81,097,568	81,016,941	80,627	62,995,261	63,261,755	(266,494)
Debt securities issued	117,254,491	117,143,611	110,881	134,416,288	134,346,522	69,766	120,258,469	120,142,307	116,162
Eurobonds issued	153,676,011	140,349,227	13,326,784						
Trade accounts payable	8,449,842	8,449,842	–	6,060,273	6,060,273	–	5,063,576	5,063,576	–
Other financial liabilities	535,757	535,757	–	51,112	51,112	–	116,734	116,734	–
			14,071,505			472,800			303,336
Total unrecognised change in unrealized fair value			(4,910,724)			(12,687,474)			(11,884,503)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

In case of assets with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities based on the statistical data published by the National Bank of the Republic of Kazakhstan. The indicated approach is applied in determining the fair value of loans issued to customers and finance lease receivables.

(in thousands of Kazakh tenge)

44. Fair values of financial instruments (continued)

Fixed and variable rate financial instruments (continued)

In case of liabilities with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities.

- The amounts due to the Shareholder are discounted at the average rate of bonds of the Ministry of Finance of the Republic of Kazakhstan with similar maturity;
- The amounts due to credit institutions are discounted at the average market rate of financial organizations based on data placed on Bloomberg.

The future cash flows comprise repayment of principal and interest calculated at the interest rate stipulated by the agreement to the amount of principal.

Movements in level 2 assets and liabilities measured at fair value

During 2013 the Group transferred derivative instruments from level 2 to level 3 of fair value hierarchy. The total carrying amount of transferred assets was KZT 4,013,694 thousand. The reason for transfer from level 2 to level 3 was that source information in terms of determination of a credit risk for a valuation method is not observable at the market and is a significant assumption for measurement of a fair value of this instrument as at 31 December 2013. The transfer is based on the judgement of the Group and did not have an effect on changing the fair value determination method, in this connection the transfer was made without recognition of profit or loss.

Significant non-observable source data and sensitivity of financial instruments of level 3 measured at fair value to changes in key assumptions

The following table presents impact of possible alternative assumptions on valuation of fair value of level 3 instruments:

	31 December 2013	
	Carrying value	*Impact of possible alternative assumptions*
Financial assets		
Derivative financial instruments	**4,013,694**	**(161,300)**

To determine possible alternative assumptions the Group adjusted the level of credit risk from 6.6% as at 31 December 2013 to 10%.

(in thousands of Kazakh tenge)

45. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 44 for the Group's contractual undiscounted repayment obligations.

	2013			*2012*			*2011*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Assets									
Cash and cash equivalents	**55,824,066**	**–**	**55,824,066**	64,414,586	–	64,414,586	54,783,883	–	54,783,883
Amounts due from credit institutions	**115,853,307**	**–**	**115,853,307**	15,255,645	–	15,255,645	18,702,795	–	18,702,795
Derivative financial assets	**1,962,849**	**2,050,845**	**4,013,694**	2,512,254	2,955,298	5,467,552	2,725,748	4,179,728	6,905,476
Loans to customers	**100,368,616**	**98,957,616**	**199,326,232**	82,163,877	69,536,405	151,700,282	48,286,496	100,995,089	149,281,585
Loans to related parties	**–**	**411,570**	**411,570**	–	–	–	–	–	–
Finance lease receivables	**27,787,922**	**96,002,606**	**123,790,528**	20,890,520	72,326,250	93,216,770	16,389,187	54,177,186	70,566,373
Investment securities available-for-sale	**388,405**	**–**	**388,405**	309,834	–	309,834	833,008	–	833,008
Investments in associates	**–**	**2,935,039**	**2,935,039**	–	269,031	269,031	–	265,584	265,584
Accounts receivable	**66,146,461**	**12,233**	**66,158,694**	62,535,837	12,692,070	75,227,907	29,599,791	23,308,148	52,907,939
Advances paid	**20,123,399**	**444,576**	**20,567,975**	14,974,908	444,466	15,419,374	9,577,181	465,509	10,042,690
Inventory	**49,162,596**	**19,786**	**49,182,382**	73,389,771	17,638	73,407,409	102,613,944	–	102,613,944
Minimum level of grain	**–**	**13,338,568**	**13,338,568**	–	13,435,625	13,435,625	–	10,769,108	10,769,108
Property held for finance leases	**13,158,059**	**–**	**13,158,059**	9,909,309	–	9,909,309	6,467,772	–	6,467,772
VAT recoverable and other taxes recoverable	**5,320,983**	**–**	**5,320,983**	4,638,199	–	4,638,199	8,957,269	–	8,957,269
Current income tax assets	**1,091,007**	**–**	**1,091,007**	89,717	–	89,717	1,014,384	36,742	1,051,126
Deferred income tax assets	**–**	**4,602,354**	**4,602,354**	–	4,817,450	4,817,450	–	4,533,461	4,533,461
Assets held for sale	**2,490,410**	**–**	**2,490,410**	1,644,917	–	1,644,917	6,789,933	–	6,789,933
Investment property	**–**	**458,498**	**458,498**	86,628	–	86,628	–	–	–
Property and equipment	**–**	**14,425,762**	**14,425,762**	–	17,240,921	17,240,921	–	18,870,629	18,870,629
Goodwill	**–**	**41,300**	**41,300**	–	41,300	41,300	–	41,300	41,300
Intangible assets	**–**	**669,750**	**669,750**	–	670,805	670,805	–	693,150	693,150
Other assets	**132,421**	**646,546**	**778,967**	630,955	246,061	877,016	1,054,041	–	1,054,041
	459,810,501	**235,017,049**	**694,827,550**	353,446,957	194,693,320	548,140,277	307,795,432	218,335,634	526,131,066

(in thousands of Kazakh tenge)

45. Maturity analysis of assets and liabilities (continued)

	2013			2012			2011		
	Within one year	More than one year	Total	Within one year	More than one year	Total	Within one year	More than one year	Total
Liabilities									
Amounts due to the Government of the Republic of Kazakhstan	4,978,455	10,876,684	15,855,139	7,010,374	621,694	7,632,068	13,277,474	17,239,862	30,517,336
Amounts due to credit institutions	51,529,658	13,047,474	64,577,132	74,954,316	6,143,252	81,097,568	47,750,248	15,245,013	62,995,261
Eurobonds	–	153,676,011	153,676,011	–	–	–	–	–	–
Debt securities issued	3,483,447	113,771,044	117,254,491	24,203,391	110,212,897	134,416,288	1,813,828	118,444,641	120,258,469
Liabilities directly associated with assets held for sale							630,654	–	630,654
Trade accounts payable	8,449,842	–	8,449,842	6,060,273	–	6,060,273	5,063,576	–	5,063,576
Advances received	4,522,391	–	4,522,391	4,767,030	–	4,767,030	2,630,371	–	2,630,371
Current income tax liabilities	105,951	–	105,951	139,081	–	139,081	–	–	–
Deferred income tax liabilities	–	11,835,025	11,835,025	–	14,421,577	14,421,577	–	14,182,501	14,182,501
VAT and other taxes payable	832,987	1,197,205	2,030,192	540,794	784,035	1,324,829	539,631	643,276	1,182,907
Deferred income	–	–	–	63	–	63	29,497	–	29,497
Other liabilities	1,398,562	148,297	1,546,859	640,185	76,139	716,324	619,404	–	619,404
Total	75,301,293	304,551,740	379,853,033	118,315,507	132,259,594	250,575,101	72,354,683	165,755,293	238,109,976
Net position	384,509,208	(69,534,691)	314,974,517	235,131,450	62,433,726	297,565,176	235,440,749	52,580,341	288,021,090

46. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Republic of Kazakhstan, acting through the State Property Committee within the Ministry of Finance, controls the Group.

Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as "government-related entities"). The Group enters into banking transactions with these entities such as attracting of loans and placement of cash and letter of credits

The Group's outstanding balances with government-related banks:

	2013	2012	2011
Cash and cash equivalents	–	–	19,644,902
Amounts due from credit institutions	–	–	3,725,287
Total	–	–	23,370,189

(in thousands of Kazakh tenge)

46. Related party transactions (continued)

The outstanding balances of the operation with the shareholder and other related parties comprise:

	2013				2012				2011			
	Parent	*Entities under common control*	*Associates*	*Key management personnel*	*Parent*	*Entities inder common control*	*Associates*	*Key management personnel*	*Parent*	*Entities inder common control*	*Associates*	*Key management personnel*
Loans to customers as at 1 January	–	–	**4,901,382**	–	–	–	3,813,371	–	–	–	5,134,738	–
Issued during the year	–	–	**526,105**	–	–	–	2,178,800	–	–	–	572,028	–
Repaid during the year	–	–	**(294,367)**	–	–	–	(1,216,531)	–	–	–	(2,255,488)	–
Accrued interest for the year	–	–	**40,402**	–	–	–	125,742	–	–	–	362,093	–
Loans to customers as at 31 December	–	–	**5,173,522**	–	–	–	4,901,382	–	–	–	3,813,371	–
Financial lease receivables as at 1 January	–	–	–	–	–	–	809,679	–	–	–	848,272	–
Issued during the year	–	–	–	–	–	–	–	–	–	–	189,369	–
Repaid during the year	–	–	–	–	–	–	(594,145)	–	–	–	(284,898)	–
Accrued interest for the year	–	–	–	–	–	–	41,525	–	–	–	56,936	–
Financial lease receivables as at 31 December		–	–	–	–	–	257,059	–	–	–	809,679	–
Accounts receivable		–	–	–	95,412	–	–	–	11,159	–	2,535	–
Receivables for the guarantee fee (for participation in tender)	**2,393**	–	–	–	4,089	–	–	–	–	–	–	–
Amounts due to the Government of the Republic of Kazakhstan and debt securities issued as at 1 January	**68,796,637**	**743,505**	–	–	87,690,095	1,320,268	22,719	–	66,007,713	2,251,249	474,990	–

(in thousands of Kazakh tenge)

46. Related party transactions (continued)

The outstanding balances of the operation with the shareholder and other related parties comprise:

	2013				*2012*				*2011*			
	Parent	*Entities under common control*	*Associates*	*Key management personnel*	*Parent*	*Entities under common control*	*Associates*	*Key management personnel*	*Parent*	*Entities under common control*	*Associates*	*Key management personnel*
Debt securities issued during the year	60,469,944	–	–	–	–	–	–	–	–	–	–	–
Accrued discount during the year	(1,213,787)	–	–	–	(590,148)	–	–	–	(1,338,928)	–	–	–
Loans received during the year	13,750,000	10,303,911	–	–	98,500,000	55,179	–	–	92,434,928	–	–	–
Interest accrued during the year		(8,110)	–	–	–	(72,959)	(1,443)	–	–	(111,959)	–	–
Loans repaid during the year	(75,688,851)	(551,206)	–	–	(121,605,010)	(491,430)	(16,508)	–	(73,829,928)	(953,039)	(452,271)	–
Amortization of discount during the year	4,919,257	(354,516)	–	–	4,801,700	(67,553)	–	–	4,416,310	134,017	–	–
Amounts due to the Government of the Republic of Kazakhstan and debt securities issued as at 31 December	71,033,200	10,133,584	–	–	68,796,637	743,505	4,768	–	87,690,095	1,320,268	22,719	–
Dividends payable as at 1 January	146,780	–	–	–	–	–	–	–	–	–	–	–
Dividends declared during the year	(146,780)	–	–	–	300,152	–	–	–	248,154	–	–	–
Dividends paid during the year		–	–	–	(300,152)	–	–	–	(248,154)	–	–	–
Dividends payable as at 31 December	–	–	–	–	–	–	–	–	–	–	–	–
Undrawn credit lines	–	–	–		–	–	1,908,029		–	–	2,420,324	–
Salary and compensation	–	–	–	(60,057)	–	–	–	(62,954)	–	–	–	(65,872)
Social security contribution	–	–	–	(5,979)	–	–	–	(12,933)	–	–	–	(6,687)
Revenues from fiduciary activities	–	–	519,748	–	–	–	340,647	–	–	–	152,365	–
Other income	388,348		95,779	–	696,820	–	6,250	–	395,285	–	3,255	–
Other expenses				–	–	–	–	(39,674)	–	–	–	–

For the year ended 31 December 2013, key management personnel comprised of six (2012: thirteen; 2011: eight) members.

(in thousands of Kazakh tenge)

47. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. During the past year, the Group had no externally imposed capital requirements.

During 2013, 2012 and 2011 the Group had complied in full with all its capital requirements imposed by the legislation.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Capital adequacy ratio established by FMSC

The adequacy of the certain subsidiaries' ("the subsidiaries") capital is monitored using, among other measures, the ratios established by the FMSC in supervising the companies.

The FMSC requires companies engaged in certain types of banking activities to maintain a minimum Tier 1 capital adequacy ratio (k1) of 6% of total assets and minimum total capital adequacy ratio (k1-3) of 12% of risk-weighted assets and contingent liabilities and operational risk. In 2013, 2012 and 2011 the total assets and the risk-weighted assets, calculated under FMSC requirements, were obtained on the basis of the subsidiaries' financial statements prepared in accordance with Kazakhstani Accounting Standards. As at 31 December, the subsidiaries' capital adequacy ratios on this basis were as follows:

Fund for Financial Support of Agriculture JSC:

	2013	*2012*	*2011*
Tier 1 capital	**29,300,202**	21,234,107	21,648,331
Tier 2 capital	**421,875**	–	163,299
Investments in associates	**(117,323)**	(147,337)	(208,569)
Available-for-sale investment securities	**–**	–	(311,360)
Total regulatory capital	**26,604,754**	21,086,770	21,291,701
Total assets	**35,586,663**	19,524,947	24,366,270
Risk- weighted assets and contingent liabilities	**35,586,663**	19,524,947	14,963,960
Operational risk	**364,967**	294,221	209,173
Capital adequacy ratio (k1)-not less than 6%	**73%**	91%	88.0%
Capital adequacy ratio (k1-3) - not less than 6%	**81%**	108%	142.7%

Agrarian Credit corporation JSC

	2013	*2012*	*2011*
Tier 1 capital	**68,531,607**	64,390,184	60,471,332
Tier 2 capital	**437,649**	461,765	169,145
Investments in associates	**(73,931)**	(89,812)	(167,666)
Total regulatory capital	**68,895,325**	64,762,137	60,472,811
Total assets	**123,214,515**	86,557,546	88,045,086
Risk- weighted assets and contingent liabilities	**123,214,515**	84,074,380	87,469,936
Commitments and contingencies	**13,493,645**	13,732,072	8,925,249
Operational risk	**2,806,683**	1,855,808	1,648,621
Capital adequacy ratio (k1)	**54.5%**	74.4%	68.7%
Capital adequacy ratio (k1-2)	**50.1%**	65.8%	61.7%
Capital adequacy ratio (k1-3)	**49.4%**	64.9%	

(in thousands of Kazakh tenge)

47. Capital adequacy (continued)

National Company 'Food Contract Corporation JSC

	2013	*2012*	*2011*
Tier 1 capital	63,333,642	50,072,013	56,924,040
Tier 2 capital	–	–	–
Investments in associates	21,463,176	5.195	–
Total regulatory capital	84,796,818	50,077.208	56,924,040
Total assets	183,465,366	243,607,923	233,897,194
Risk- weighted assets and contingent liabilities	56,115,782	123,074,713	134,076,257
Operational risk	12,345,800	3,842,360	3,346,325
Capital adequacy ratio (k1)	**34.5%**	20.6%	24.3%
Capital adequacy ratio (k1-3)	**61.9%**	39.4%	41.4%

KazAgroFinance JSC

	2013	*2012*	*2011*
Tier 1 capital	91,294,298	83,447,016	68,398,068
Tier 2 capital	3,005,682	605,778	–
Total regulatory capital	94,299,980	84,052,794	68,398,068
Total assets	206,561,389	139,942,549	120,025,506
Risk- weighted assets and contingent liabilities	214,074,975	132,563,746	114,644,568
Operational risk	4,046,790	3,409,510	3,847,888
Capital adequacy ratio (k1) – not less than 6%	**44,20%**	59,63%	57.0%
Capital adequacy ratio (k1-3) – not less than 12%	**43,23%**	61,82%	57.7%

48. Subsequent events

During 2012 and 2013, the National Bank of the Republic of Kazakhstan maintained the exchange rate of the national currency against the U.S. dollar in the corridor from KZT 150 to 1 U.S. dollar to KZT 155 to 1 U.S. dollar. On 11 February 2014 the National Bank of the Republic of Kazakhstan announced a change in the level of exchange rate support to the corridor within KZT 185 to 1 U.S. dollar. As a result of exchange rate change the Group recognized loss of KZT 17,688,719 thousand during three months after reporting date.

In accordance with the law of the Republic of Kazakhstan "On amendments to the Law of the Republic of Kazakhstan "On republican budget for 2014-2016", the following amounts were approved for NMH KazAgro: KZT 20 billion under the program 043 "Increase of share capital of National Managing Holding KazAgro JSC for development of agricultural sector"; according to the above law, the following amounts were also approved: KZT 40 billion under the program 023 "Credit financing for National Managing Holding KazAgro JSC to take measures for agricultural sector support".

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