Annual report	For the year 2013

“NURBANK”

JSC

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1. Statement of the Chairman of the Board

JSC "Nurbank" was created 22 years ago in the earliest days of the Kazakh banking system and, despite all the difficulties and complexities of the past years; it has stood the test of strength. The Bank has 16 branches and 81 of the CBR, which employs more than 1500 employees.

The achievements of the Bank are the result of longstanding work of friendly team of innovators focused on the continuous search for and implementation of new ideas and solutions. As of January 01, 2014, the Bank's assets amounted to 253 billion tenge[1] and the Bank took the 14-th place in the list of second-tier banks in assets amount. The net interest income of the Bank was increased for 4% before creation of reserves, while the increase in interest income from retail business was 30%. Growth of the portfolio of securities amounted to 14%in comparison with 2012. Deposit portfolio was increased to 152.7 billion tenge. In turn, the Bank's fee and commission income were increased by 14%, mainly on cash and transfer transactions.

At the end of 2013, the range of steps was taken for portfoliorehabilitation through creation of additional provision. Despite the fact that it affected the result of the financial statements by reducing it by 33 billion tenge, we consider this step as a positive result. Bank adhered to and will adhere to adequate and conservative approach to assessing the quality of its portfolio. The level of reservesfor the loan portfolio in the amount of 30,7% [1], formed by the Bank as of January 01, 2014, is the most complete assessment of possible potential losses on the loan portfolio. The positive aspects also include the fact that the current volume of provisions fully coverscredit indebtedness with overdue by more than 90 days. In addition, the proportion of loans with overdue payments as of the beginning of 2014 was 34% [1] of total loans. For comparison, as of January 01, 2013, thisindicator was at the level of 42, 9% [1].

Current operating activities of the Bank isprofitable. Therefore, as of the end of the 1st quarter of 2014 Nurbankhas got a net profit for tenge[1]. Now there is a task for the Bank – to gain an active growth. In the future, the Bank has no plans to create additional reserves in significant volumes, while the majority of players are just going to form additional provisions due to the observed deterioration in the quality of their portfolios.

The Bank has no foreign debts, and the amount of its capitalization is at a high level (as of April 01, 2014, the Bank takes 13th position among STB in terms of equity) [1]. So as of April 01, 2014, risk-based capital ratio of the Bank, calculated by the method of the National Bank of

Kazakhstan is 21% [1], that is the highest one among the major banks that allows raising assets almost doubled (average indicator of 20 largest STB in terms of assets is 19.5%).

One of the stability indicators of the Bank is its liquidity. The Bank has a strong liquidity position. So as of April 01, 2014, JSC "Nurbank" occupies the 7th position among the 20 largest STB in terms of current liquidity (k4), equal 1,026 [1].The highly liquid assets take more than 19% of the total assets of the Bank, while the average indicator of 10 major STB was 16.4%.

In the current 2014, the international rating agency Standard & Poor's confirmed the long-term and short-term credit ratings of "Nurbank" atlevel""B/ B""and the national scale rating is at the level «kzBB +». "Stable" outlook reflects that in the next 12 months "Nurbank" will maintain strong capitalization and high liquidity indicators, and profitability and asset quality will gradually improve as a result of new business development and reduce the amount of bad loans.

Amount of finance of the corporate sector customers and SME (excluding funds allocated by government programs) as of December 31, 2013.reached 39.6 billion tenge compared with 49.4 billion tenge on December 31, 2012. Their share in total customer funds amounted to 26% compared to 33% on December 31, 2012.

In 2013, the Bank decided to develop its retail business as an essential attribute of a universal commercial bank. Thus, the volume of retail customers increased to 41.5 billion by 21% or 8.8 billion tenge compared with 32.7 billion tenge a year earlier. In 2013, the Bank actively developed consumer crediting. Since the beginning of 2013, a major project called "Commodity credit" was launched, its aim is crediting individuals for the purchase of household goods / appliances, hardware and services. Currently, the Bank's partners are about 300 organizations, including such major companies as Sulpak, Alser, LogyCom, French House, Planet of Beauty, Kazahjewerly (Kazakhyuvelir), Maloman, TD "Zhanna" and others. The Bank has established an extensive network within the project "Commodity credit". As of December 30, 2013the number of places of presence was 700. As of January 01, 2014, the portfolio of commodity loans amounted to 7.5 billiontenge, while during the operation of this product the Bank performed payments in the amount of 8.5 billiontenge.

JSC "Nurbank" considers the system of remote service, online – banking as one of the promising areas of development. For the convenience of using the system by the customers and to ensure the safe storage and transfer of financial information in 2013 within existing framework, a new design for the portal of internet banking was developed for legal entities, Open24.kz. At this time, the Bank is working on the redesign of Internet banking for individuals.

Confirmation of the success of the Bank in 2013is the nominations received in the international competitions. For example, the General committee of the European Business Assembly in the UK awarded "Nurbank" with Socratic Award and International award "Best Enterprise". After examining the results of the Bank, the International Public Organization "Assembly of Business Circles"within the program "Leaders of the XXI Century" presented to the Bank the Quality Mark "High Grade". In addition, in the I-st and II-nd International competitions "Bank of the Year of the CIS, the Baltic States, Georgia – 2013", JSC "Nurbank" has received several prestigious awards in the following categories: “ The Best Bank for loyalty programs”, “The Best Bank for Corporate Business” and “The Bank retained a high level of confidence”.

"Nurbank", being present on the market of banking services and products of Kazakhstan for 22 years, has always paid close attention to social activities. The Bank has implemented more than 1000 applications for charityduring its existence. So, in 2013, JSC “Nurbank” received the award in the category “For the best charity projects” within the International Competition “Trustworthy Bank – 2013”. As a rule, the need to perform charity events is stipulated by sense of social responsibility. We try not to forget about people who need our help. We believe that by doing charity work, we make a contribution to solving the problems of modern society and inspire others by our example. The help for orphans and children left without parental care is particularly important for us. Since 2008 JSC “Nurbank”is a partner of project joint with TC “CPC”-“The WayHome”, aimed topromoting the adoption of children orphaned. Approximately 300 children have found families thanks to this program.

This describes the situation today. Our strategic policy aimed at holding a moderately conservative policies and investment in the development of quality products and services to our customers, alreadyyield. We expect that 2014 will beindicative for JSC “Nurbank”. In the near future, the Bank intends to implement the strategic objectives for the further development of business, namely:

- To increase the volume of lending renditions of individuals;

- Increase the share of services of the retail, small and medium businesses;

- Improve the quality of the loan portfolio and deposit base;

- Improve the quality of customer service responsiveness.

In conclusion, I would like to thank our shareholders, investors and customers particularly for their loyalty, trust and cooperation. Looking back, we can say that the Bank is on track. Our results allow us to look aheadwith certain optimism. However, we need a lot more to do in order not to leave the positions gained and to conquer new ones.

Sincerely,

Chairman of the Direction,

Kantar Orynbayev

[1] As of data of the National Bank of the Republic of Kazakhstan

2. Information about the Bank

JSC “Nurbank” was founded on August 03, 1992 in Atyrau. In 2003, the Bank's head office was moved to Almaty. Within a short period, Nurbank from a small regional bank went to the republican level and nowadays provides a full range of banking services.

The Bank's mission is to become a reliable partner in providing a full range of modern financial services to entities of retail, small and medium-sized businesses and large corporations for successful achievement of their goals.

The Bank focuses its activities on the development of customers based on their own principles and values. Referring to the Bank, customers, both private individuals and large corporations can always expect to receive high quality financial services through various sales channels. The Bank is constantly improving the level of service by improving business processes, the introduction of advanced information technologies and professionalism, and these efforts allow serve customersto rapidly and efficiently.

Bank creates a favorable and effective working environment to attract talented and successful employees.

The Bank seeks to achieve a high level of profitability on the long-term basis and make a significant contribution to the development and prosperity of our country.

Relationships with clients, investors, colleagues, and other organizations are based on trust and open communication culture, guided by the core values of:

1. meritocracy;
2. focusing on results;
3. responsibility;
4. professionalism;
5. dynamism;
6. initiative;
7. innovation;
8. transparency.

Nowadays the Bank has its affiliates in all main regions of the Republic of Kazakhstan and has created an extensive network of branches: 16 branches and 81 universal banking servicing centers and additional branch premises. In addition, the Bank has developed alternative distribution network. The number of ATMs and POS-terminals made 347 and 1,250, respectively.

At an early date the Bank intends to realize the strategic objectives for the further development of the business, namely:

- To increase the volume of lending renditions of individuals;

- Increase the share of services of the retail, small and medium businesses;

- Improve the quality of the loan portfolio and deposit base;

- Improve the quality of customer service responsiveness.

In order to provide customers with a full range of services, the Bank has found subsidiaries.

JSC "Subsidiary JSC"Nurbank" "Money Experts" is a financial consultant, market-maker in stocks and bonds on the Kazakhstan Stock Exchange, the listing agent and broker of a range of Kazakhstan leading companies and banks. Today Money Experts deals with leading global financial institutions and partners in CIS-countries and provides the following services:

- portfolio management;
- broker and dealer services;
- preparation and organization of the procedure of state registration of shares issue;
- help of JSC "Kazakhstan Stock Exchange"in passing the listing;
- underwriting services - initial public offering of securities;
- direct investment - equity participation of legal entities;
- transactions M & A - mergers and acquisitions;
- deals LBO, MBO;
- activities of the market-maker;
- consulting services.

JSC "SubsidiaryofJSC"Nurbank" IC "Nurpolis" offers services in the mandatory and voluntary forms of insurance. Services of JSC "SubsidiaryofJSC"Nurbank" IC "Nurpolis" are available on the territory of Kazakhstan due to the wide regional network and are represented by the following types of services.

Services in the form of compulsory insurance:

- insurance of civil liability of vehicle owners;
- insurance of civil liability of the carrier before passengers;
- insurance of civil liability of the tour operator and travel agent;
- insurance of civil liability of owners of facilities whose activities are related to the risk of causing damage to third parties;
- insurance against accidents during the performance of labor (service) duties;
- environmental insurance;
- insurance of civil liability of private notaries.

Services in a form of voluntary insurance:

- accident insurance;
- health insurance;

- motor vehicle insurance;
- air transport insurance;
- cargo insurance;
- property insurance against damages, except for the classes specified in subparagraphs 3) -7) of paragraph 3 of Article 6 of the Law of the Republic of Kazakhstan "On insurance activity";
- insurance against other financial losses;
- insurance of civil liability of air transportowners;
- insurance of civil liability of motor vehicle owners;
- insurance of civil liability, except for the classes specified in paragraphs 9) -11) of paragraph 3 of Article 6 of the Law of the Republic of Kazakhstan "On insurance activity";
- loans insurance.

LLP "Leasing Company NurLeasing"develops successful and dynamically over a number of years. LLP "Leasing Company Nur Leasing" has a great experience in the field of leasing services.

The advantages of leasing are:

- long-term financing;
- leasing allows you to update the fixed assets and purchase modern equipment without great non-recurring costs;
- subject of the lease is the collateral,and the additional collateralis not required;
- flexibleschedule of lease payments.

Tax advantages:

- VAT payment exemption when importing equipment;
- reduction of the taxable income of the lessee for the amount of the allowance paid;
- use of double rate of depreciation of the leased asset during the first year of operation;
- providing professional advice with regard to negotiations with suppliers, coordination of the terms of the guarantees, contracts of sale, international contracts and insurance, as well as providing a range of additional services;
- leasing can be the only source of funding for those who do not have collateral.

Competitive advantages of leasing company "Nur Leasing" are:

1. professional team of specialists;

2. individual approach to the client;

3. theshortest time of clearance;

4. providing services according to international standards;

5. network of branches throughout Kazakhstan;

6. trade financing;

7. full support of the deal: suppliers sourcing, negotiating to the benefit of the client, legal and customs clearance of transactions, insurance, delivery to the place of operation.

The close relationships are turned out with major suppliers, and partnerships with financial institutions are established.

JSC "NPF"Atameken" (formerly known as JSC NPF"National Pension Fund") founded on August 07, 1997, began operations on January 01, 1998, with the entry into force of the Law of the Republic of Kazakhstan"On pensions in the Republic of Kazakhstan" dated June 20, 1997.

As part of the reforming, the accumulative pension system of the Republic of Kazakhstan in 2014 it completed the transfer of pension savings under the management to JSC "United Accumulative Pension Fund". As of July 01, 2014 JSC "NPF"Atameken" is a subsidiary of JSC "Nurbank".

3. Results of activities for the year 2013

Indicators of Balance for the Consolidated Financial Statements

Name	2011		2012		2013	
	thousandtenge	share	thousandtenge	share	thousandtenge	share
Assets						
Cashandcashequivalents	24 618 693	9%	23 502 928	9%	29 471 147	12%
Tradingsecurities	2 147 069	1%	1 996 006	1%	1 211 643	0%
Investment securities available-for-sale	29 158 740	11%	34 321 553	13%	38 659 862	16%
Amounts due from credit institutions	1 525 817	1%	1 459 346	1%	2 344 059	1%
Loansissuedtocustomers	196 725 594	73%	172 583 516	67%	151 732 916	62%
Currenttaxassets	425 162	0%	185 374	0%	100 147	0%
Fixed assets and intangible assets	4 436 011	2%	4 058 701	2%	3 896 459	2%
Deferredtaxasset	3 652 628	1%	2 976 119	1%	3 616 271	1%
Otherassets	5 124 855	2%	15 258 817	6%	14 569 368	6%
Totalassets	**267 814 569**	**100%**	**256 342 360**	**100%**	**245 601 872**	**100%**
commitments						
Amounts due to Government of the RK	9 792 737	4%	8 789 677	3%	6 585 642	3%
Banks accounts and deposits and other financial institutions	2 305 230	1%	1 797 364	1%	1 057 064	0%
Current accounts and deposits from customers	161 458 963	60%	149 080 108	58%	152 139 857	62%
Debtsecuritiesissued	21 282 543	8%	21 795 297	9%	41 773 980	17%
othercommitments	2 228 959	1%	3 123 046	1%	5 006 076	2%
Totalcommitments	**197 068 432**	**74%**	**184 585 492**	**72%**	**206 562 619**	**84%**
capital						
Sharecapital:	127 611 241	48%	127 611 241	50%	127 611 241	52%
- Ordinaryshares	127 316 185		127 316 185		127 316 185	
- preferredshares	295 056		295 056		295 056	
Treasury shares	-273 597		-275 253		-275 253	
Additionalpaid-incapital	100	0%	100	0%	100	0%
dynamicreserve		0%		0%	4 380 918	2%
Otherreserves	1 597 272	1%	664 465	0%	222 501	0%
accumulatedlosses	-58 418 820	-22%	-56 473 889	-22%	-93 131 895	-38%
Non-controllinginterests	229 941	0%	230 204	0,1%	231 641	0,1%
totalcapital	**70 746 137**	**26%**	**71 756 868**	**28%**	**39 039 253**	**16%**
Totalcommitmentsandcapital	**267 814 569**	**100%**	**256 342 360**	**100%**	**245 601 872**	**100%**

Income / expense for the consolidated financial statements

thousandtenge	2011 year	2012 year	2013 year
interestincome	22 782 795	23 658 178	23 535 189
interestexpense	- 13 711 563	- 11 372 582	- 11 651 762
Netinterestincome	9 071 232	12 285 596	11 883 427
Net Fee and comission income	3 167 262	3 199 057	2 763 325
Operatingincome	275 803	17 091 687	1 169 698
Operatingexpenses	- 7 554 737	- 9 099 733	- 8 914 614
Impairment losses and expenses of reserves	-6 325 071	-20 832 108	-40 995 067
Savings (expense) incometax	1 867 808	- 690 250	747 652
Profit / loss for the year	502 297	1 954 249	-33 345 579
Profit / loss for the year from discontinued operations, net of income taxes			1 030 380
Loss / profit for the year	502 297	1 954 249	-32 315 199

Operating analysis for the year 2013

ASSETS

Name	2011		2012		2013	
	thousandtenge	share %	thousandtenge	share %	thousandtenge	share %
Assets						
Cashandcashequivalents	24 618 693	9%	23 502 928	9%	29 471 147	12%
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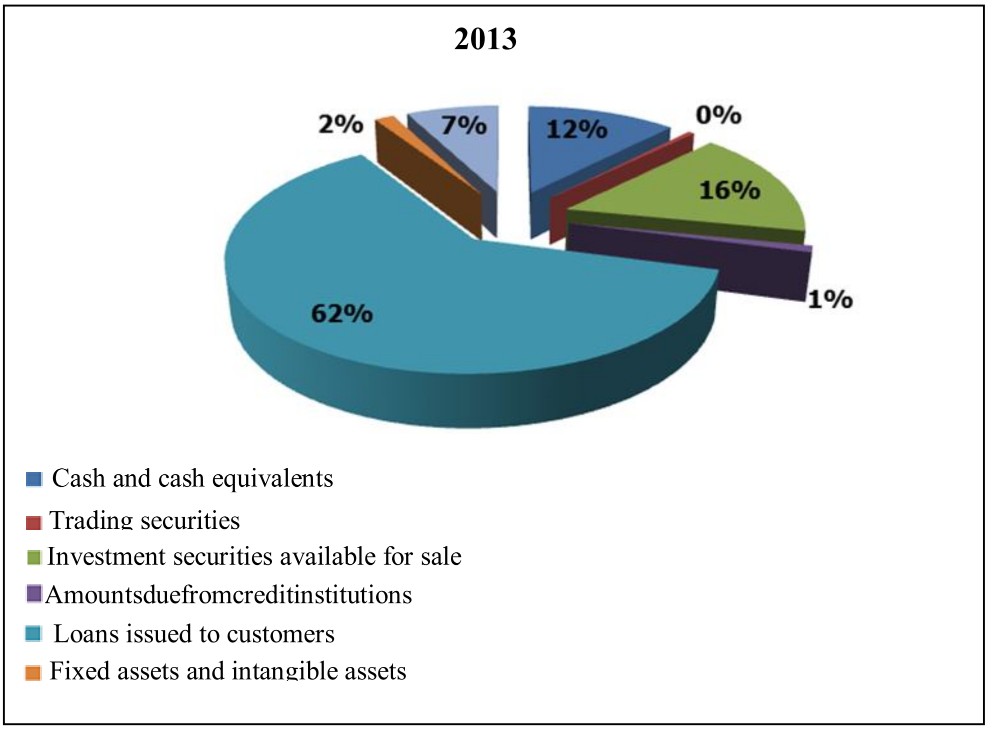
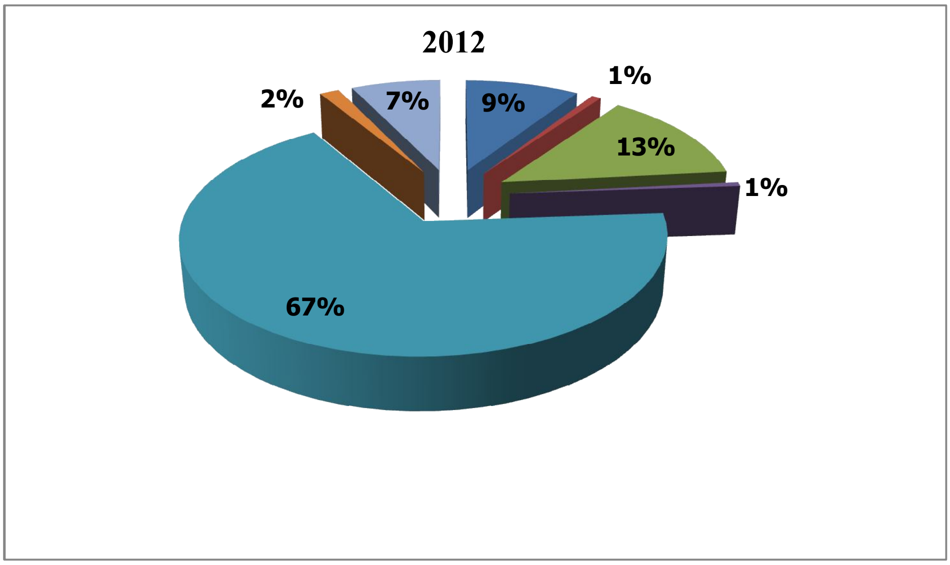
Otherassets	5 124 855	2%	15 258 817	6%	14 569 368	6%
Totalassets	**267 814 569**	**100%**	**256 342 360**	**100%**	**245 601 872**	**100%**

Consolidated assets of the Bank at the end of 2013 amounted to 245 601 872 thousandtenge, that is 10,740,488 tenge or 4.18% lower than at the end of 2012.

Structure of assets of the Bank as of December 31, 2013 and December 31, 2012 are as follows:





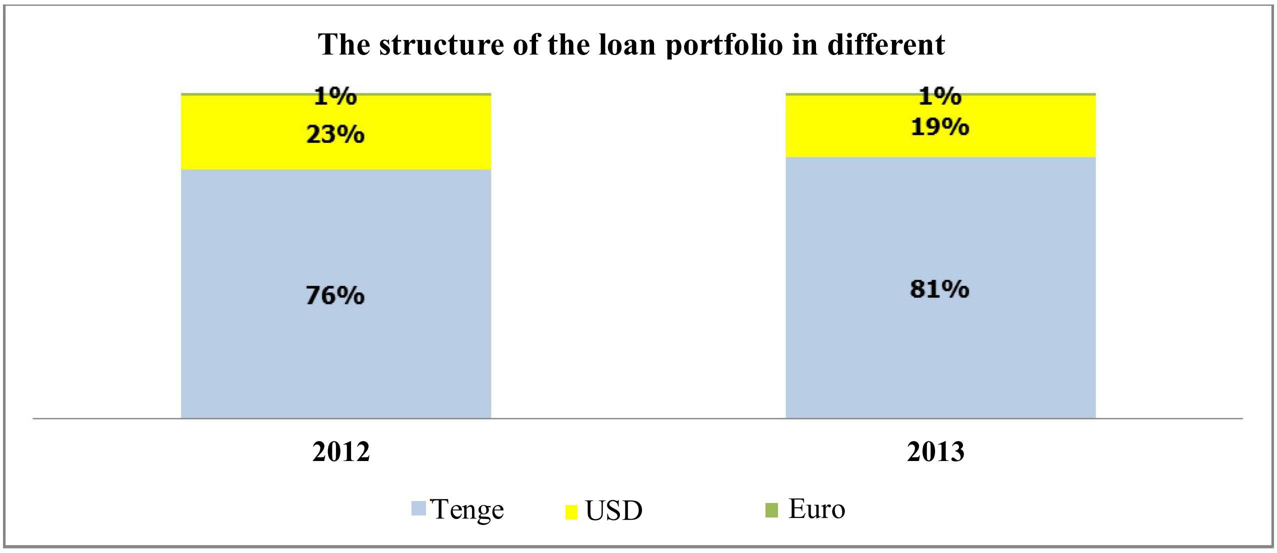
Credits provided to customers are the largest item in the structure of the Bank's assets and as of the end of 2013 amounted to 62% or 151 732 916 thousand tenge.

Credits provided to customers *

The volume of lending in dollars was decreased by 10,523 million tengeor by 21%,and as of the end of 2013 made 40,103 million tenge, while lending in the euro and the national currency was increased by 5% and 2% respectively.

Change in the volume of the loan portfolio (gross) in different currency

Total loans provided to customers (gross)	As ofDecember 31,2013, million tenge	As ofDecember 31,2012, million tenge	Change	
			abs.	%
Tenge	172 965	169 005	3 960	2%
US dollar	40 103	50 626	- 10 523	-21%
Euro	1 500	1 435	65	5%
Total	**214 568**	**221 066**	**- 6 497**	**-3%**



* Information is provided according to data of nonconsolidated reporting of the Bank

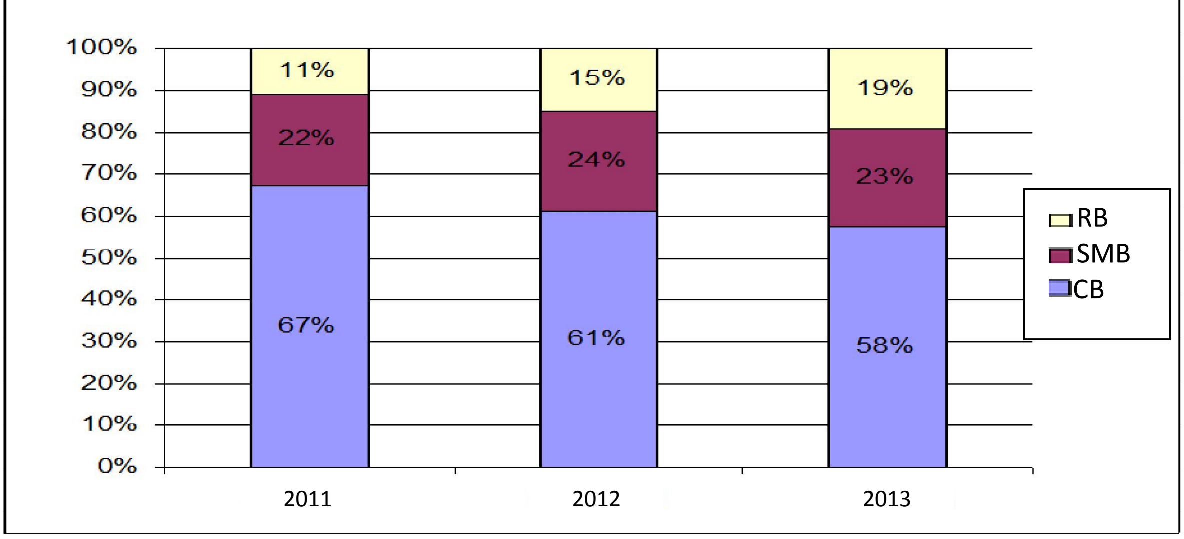
Overall decline in lendingvolumeis connected to the increasing demands to the quality of the loans granted by the Bank.

The volume of loan portfolio, taking into account the problem loans as of the end of 2013 amounted to 214 568 million tenge.

Distribution of the loan portfolio (gross) for business lines, million tenge

	CB	**SMB**	**RB**	**Total**
2011	175 379	57 312	28 613	261 305
2012	135 140	52 841	33 085	221 066
2013	123 563	49 510	41 495	214 568

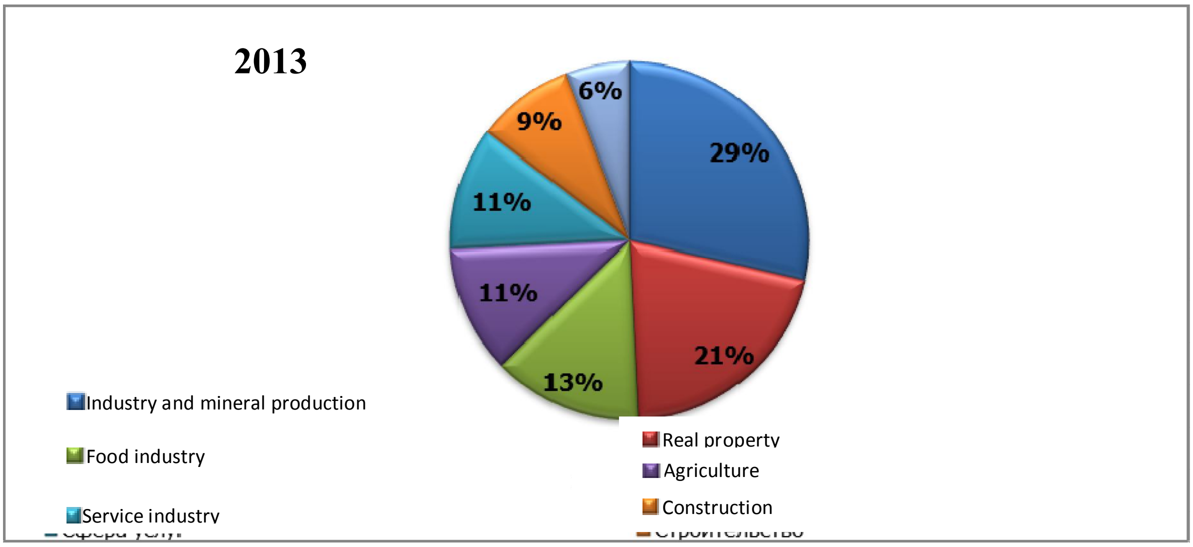
Distribution of the loan portfolio (gross) for business lines

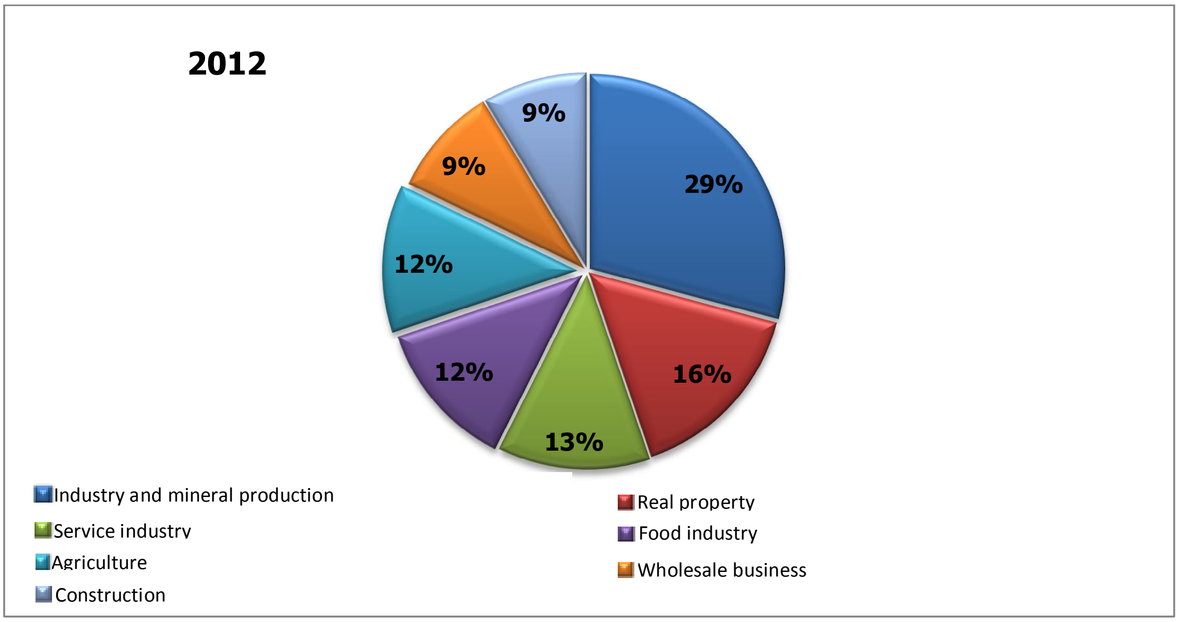


The dynamics shows that there was change in the share of lending. If the share of lending of the corporate sector in 2011 was 67%, in 2012 61%, then in 2013 its share was 58%.

Small changes in the structure of the **credit** portfolio of corporate business was due to decline in the share of mortgage lending.

The structure of the loan portfolio of the corporate business (gross) by industries





The share of crediting small and medium-sized businesses has remained virtually unchanged, and in 2013 was 23% of the total share of the loan portfolio, or 49.5 billiontenge.

The funds volume of customers of the corporate sector and SMEs (excluding funds allocated by government programs) as of December 31, 2013 reached 39.6 billion tenge compared with 49.4 billion tenge on December 31, 2012. Their share in total customer funds amounted to 26% compared to 33% on December 31, 2012.

In 2014, the increase in the working loan portfolio in the direction of SMEs exceeded 18% in comparison with the beginning of the year. The main driver of change in the volume of lending to SMEs is optimization of the decision-making processes of credit and guarantees. Active development has also received the lending on SME support on state programs.

In 2013, the Bank decided to develop its retail business as an essential attribute of a universal commercial bank. Comparing the previous operating, when the Bank was focused on the corporate sector, and the Bank's share in retail lending among Kazakhstan banks was 0.7%, so now the Bank is actively developing this direction.

The share of retail business for the last 2 years in the total loan portfolio of the Bank grew by 8 per cent and made 19 per cent of the total loan portfolio.

. Since the beginning of 2013, a major project called "Commodity credit" was launched, its aim is crediting individuals for the purchase of household goods / appliances, hardware and services. The loan amount varies from 15 000 to 1 million tenge.

Currently, the Bank's partners are about 300 organizations, including such major companies as Sulpak, Alser, LogyCom, French House, Planet of Beauty, Kazahjewerly (Kazakhyuvelir), Maloman, TD "Zhanna".It should be noted that Nurbank began to issue loans to purchase a car in a network of auto-saloons Renault on the conditions of commercial lending.

The Bank has established an extensive network within the project “Commodity credit”. As of December 30, 2013the number of places of presence was 701. As of January 01, 2014, the portfolio of commodity loans amounted to 8.5 billion tenge. Therefore, retail loans increased in 2013 by 8.4 billion tenge, mainly due to increased sales volumes on “commodity credit”. The total volume of retail loans was increased to 41.5 billion tenge.

Cash and cash equivalents

The share of cash in the assets of the Bank for 2013 was increased and amounted to 12% compared to 9% at the beginning of the year. The amount of funds under “Cash and cash equivalents” as of December 31, 2013 was 29.5 billion tenge, being increased by 6 billion tenge or 25.4%.

Increase in cash is associated with the growth of current and short-term customer accounts. The increase was driven by an increase in current and deposit accounts in banks rated with 3.2 billion tenge in the beginning of 2013 to 7.3 at the end of the year. There was also increase in cash equivalents to 2 billion tenge due to a reverse REPO agreements concluded automatically on the Kazakhstan Stock Exchange.

Portfolio rehabilitation

One of the main problems, as well as for all banks in Kazakhstan, is a decrease in the share of problem loans. At the time of its development, the Bank focuses not on quantity but on the quality of the loan portfolio. Thus, the share of bad loans in the amount of issued ones before 2011 was 75%, for loans issued in 2011 - 29%, and for the credits issued in 2012 – 2013, only 6% are problematic.

Volume of credit portfolio and problem loans issued before and after 2011 in the context of business areas

As of January 01, 2014 (milliontenge)	Totalloans	CorporativeBusiness	SMEs	retailBusiness
Totalloansportfolio	**214 568**	**123 563**	**49 510**	**41 495**
Principal amount and accrued interest	112 146	65 598	21 544	25 004
Problemloans (includinginterest)	102 422	57 965	27 966	16 491
Share of problem loans (including interest)	**48%**	**47%**	**56%**	**40%**
Loansupto 2011	**127 156**	**81 298**	**28 823**	**17 035**
Principal amount and accrued interest	32 416	25 403	4 134	2 879
Problemloans (includinginterest)	94 740	55 895	24 688	14 156
Share of problem loans (including interest)	**75%**	**69%**	**86%**	**83%**
Loansin 2011	**11 554**	**5 079**	**4 429**	**2 047**
Principal amount and accrued interest	8 251	4 629	2 137	1 485

Problemloans (includinginterest)	3 303	449	2 292	561
Share of problem loans (including interest)	**29%**	**9%**	**52%**	**27%**
Loansissued in2012-2013	**75 858**	**37 186**	**16 258**	**22 414**
Principal amount and accrued interest	71 478	35 565	15 273	20 640
Problemloans (includinginterest)	4 379	1 621	985	1 774
Share of problem loans (including interest)	**6%**	**4%**	**6%**	**8%**

In 2013, Nurbank performed a considerable work and carried out activities aimed at improving the quality of the loan portfolio. So in the end of the year 2013the Bank conducted a routine cleaning of the balance of the bad assets, creating additional provisions, which led to the rehabilitation of the portfolio. In 2012, the transaction wascarried out in two phases without recourse on selling distressed assets to collection companies for amount about 48 billiontenge.

In 2013, the shareholders of the Bank, in order to improve its financial stability and successful development, decided to establish a special company to manage problem assets. In the current 2014, LLP "The organization on managing the distressed assets "NB" started its activities.

The share of formed provisions for loans provided to customers, in the total volume of loans was 29.2% compared with 23.8% on December 31, 2012. The size of provisions was 62.5 billion tenge compared with 52.6 billion tenge for the year 2012.

The share of non-performing loans amounted to 32.3% of total loans. For comparison, on December 31, 2012 the share of non-performing loans amounted to 44.9%.

The established previsions are reserved for possible potential losses in the event of a negative development of scenarios for individual borrowers. This step is regarded as positive, despite the fact that it affected the outcome of the financial statements, reducing it by 33 155 million tenge. It should be noted that the negative financial result is not related to the operating activities of the Bank and shall in no way affect its financial stability.

LIABILITIES

In order to manage liquidity, the Bank maintains a stable and diversified structure of its liabilities, including both resources raised for a fixed term and demand deposits. In the reporting period, the Bank continued servicing its obligations on determined schedules.

Name	2011 thousandtenge	2012 thousandtenge	2013 thousandtenge	increase %
Obligations				
Amounts due to Government of the RK	9 792 737	8 789 677	6 585 642	-25,1%
Banks accounts and deposits and other financial institutions	2 305 230	1 797 364	1 057 064	-41,2%

Current accounts and deposits from customers	161 458 963	149 080 108	152 139 857	2,1%
Debtsecuritiesissued	21 282 543	21 795 297	41 773 980	91,7%
Othercommitments	2 228 959	3 123 046	5 006 076	60,3%
Total commitments	**197 068 432**	**184 585 492**	**206 562 619**	**11,9%**

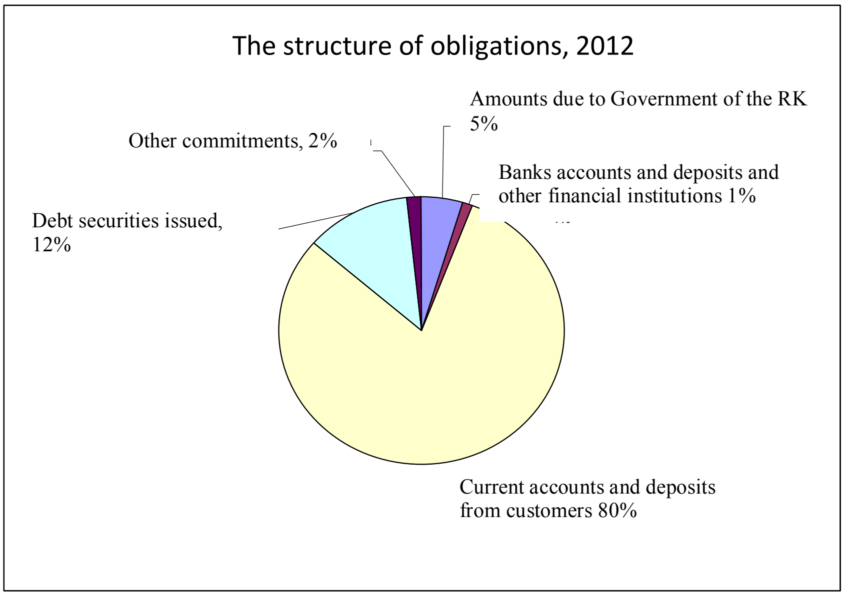
In 2013, the total liabilities of the Bank increased by 22 billion tenge, or 11.9%, amounting to 206.6 billion tengeas ofDecember 31, 2013 compared to 184.6 billion tenge as of December 31, 2012. Great influence on the change in total liabilities was made by placement of bonds of the new issue. The volume of outstanding debt securities increased by 20 billion tenge and made 41.8 billiontenge.

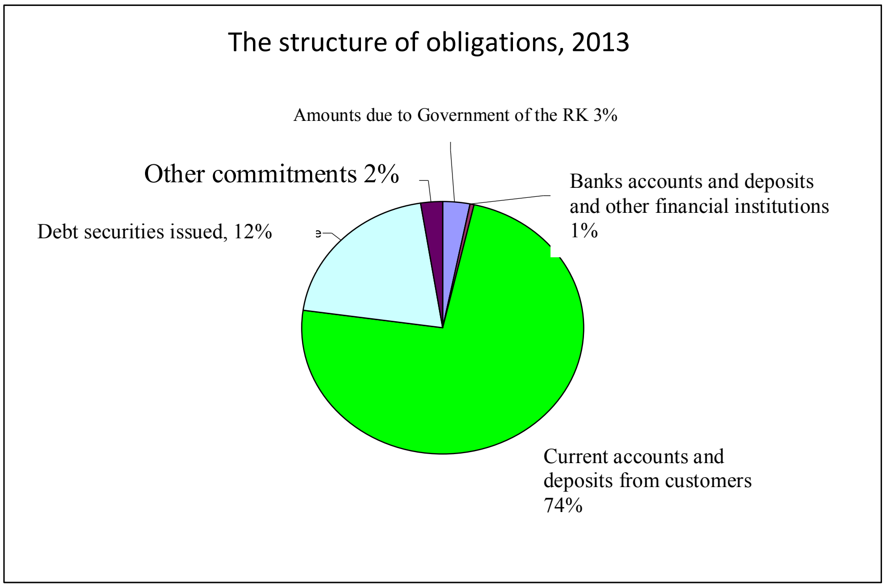
Amounts of the customers increased by 3 billion tenge from 149 billion tenge as of December 31, 2012 to 152 billion as of the end of 2013.

Amounts of the Government oftheRepublic of Kazakhstan decreased by 2.2 billion tenge and made 6.59 billion tenge at the end of 2013.

Volumes of deposits and balances of banks and other financial institutions decreased by 0.7 billion tenge and made 1.07 billiontenge as of December 31, 2013, as against 1.8 billion tenge as of December 31, 2012.

The structure of liabilities was also changed. Structure of liabilities in a percentage for the years 2012 and 2013 was as follows:





The main share of liabilities accounted for Current accounts and deposits from customers. In 2013, their share was 74 per cent with an increase in the amount of 3 billion tenge.

Deposits of the customers

The Bank seeks to achieve the position of a universal bank and ensure the future sustainability of competitive activity in all segments. In this case, the priority for the Bank is reasonable value for the economic feasibility of the use of borrowed resources, competitiveness and security of deposits of its customers.

During the reporting period, the volume of customer accounts increased by 3.8 billion tenge or by 3% and amounted 152.7 billion tenge as of December 31, 2013 compared to 148.9 billion tengeas of December 31, 2012.

Change of the deposit portfolio

	2013 year		2012 year		deviation	
	Volume (million tenge)	share %	Volume (million tenge)	share %	abs.	attitude.%
Depositsoflegalpersons	**96 354**	**63%**	**98 251**	**66%**	**-1 896**	**-2%**
Demanddeposits	44 517	46%	42 124	43%	2 393	6%
Timedeposits	51 838	54%	56 127	57%	-4 289	-8%
Depositsfromindividuals	**56 376**	**37%**	**50 656**	**34%**	**5 720**	**11%**
Demanddeposits	5 913	10%	5 945	12%	-31	-1%
Timedeposits	50 463	90%	44 712	752%	5 751	13%
Totalcustomeraccounts	**152 731**	**100%**	**148 907**	**100%**	**3 824**	**3%**
Demanddeposits	50 430	33%	48 069	32%	2 362	5%
Timedeposits	102 301	67%	100 838	68%	1 462	1%

Deposits of the customers of the corporate sector made 63% in 2013 compared to 66% in 2012. The volume of customers' means of the corporate sector amounted to 96.4 billiontenge as of December 31, 2013compared with 98.3 billion tenge in 2012, a decrease made 1.9 billion tenge or 2%.

There was a change in the structure of the deposit portfolio by increasing the share of assets and deposits from individuals, so as of December 31, 2013, their share was 37%, compared with 34% at the beginning of the year.

Thus, as of December 31, 2013 deposits of legal entities and individuals amounted to 152.7 billion tenge.

The Bank, in order to attract new investors, to increase the degree of confidence of existing customers and to improve the efficiency of the protection of their interests, is a member of Kazakhstan Deposit Insurance Fund.

Deposits are an important and reliable source of financing for the Bank, so the Bank plans to continue to focus its efforts to maintain and grow existing customer base by offering competitive marketingconditions. The Bank continues working closely with government agencies.

Debt securities in issue

The volume of outstanding debt securities issued as of December 31, 2013 amounted to 41.8 billion tenge, and increased by 20 billion tenge compared with 213,8 billion tenge as of December 31, 2012.

	NRBNb5 (KZPC2Y10B426)	NRBNb6 (KZPC3Y07B420)	NRBNb9 (KZ2C0Y06D727)	NRBNb10 (KZ2C0Y10D737)
Date of issue	18.05.2006	24.01.2008	26.07.2010	05.06.2013
Facevalue	100,00	100,00	100,00	100,00
Couponratetype	fixed	indexedtoinflation	fixed	fixed
Theinterestrate	7,5%	7,0%	7,0%	7,0%
Numberofauthorizedsecurities	50 000 000	50 000 000	160 000 000	160 000 000
Number of securities in circulation	49 831 800	49 756 000	158 255 000	150 000 000

The increase in the volume of issued securities was affected by placement of the new issue of bonds with maturities in 2023.

All bonds issued by the Bank are included in the official list of JSC "Kazakhstan Stock Exchange" under the category "with ratings".

CAPITAL

As ofDecember 01, 2013, the Bank enters into ten STB by equity size (8 position).

Over 2013 there were no additional infusions of equity owners of the Bank.

Name	2011		2012		2013	
	Thousand tenge	Share %	Thousand tenge	Share %	Thousand tenge	Share %
Capital						
Sharecapital:	127 611 241	48%	127 611 241	50%	127 611 241	52%
- Ordinaryshares	127 316 185		127 316 185		127 316 185	
- Preferenceshares	295 056		295 056		295 056	
Treasuryshares	-273 597		-275 253		-275 253	
Additionalpaid-incapital	100	0%	100	0%	100	0%
dynamicreserve		0%		0%	4 380 918	2%
Otherreserves	1 597 272	1%	664 465	0%	222 501	0%
Accumulatedlosses	-58 418 820	-22%	-56 473 889	-22%	-93 131 895	-38%
Non-controllinginterests	229 941	0%	230 204	0,1%	231 641	0,1%
Totalcapital	**70 746 137**	**26%**	**71 756 868**	**28%**	**39 039 253**	**16%**
Totalliabilitiesandcapital	**267 814 569**	**100%**	**256 342 360**	**100%**	**245 601 872**	**100%**

Capital of the Bank decreased by 10.7 billion tenge or by 4.19% and on December 31, 2013 amounted to 245.6 billion tenge as in comparison with the end of 2012 due to forming provisions. Formed provisions are reserved for possible potential losses in case of realization of a negative scenario development for individual borrowers. This step is regarded as positive, despite the fact that it has influenced on the outcome of the financial statements, reducing it to $ 33 155 million tenge. Necessary to note that the negative financial result is not related to operational activities of the Bank and shall in no way affect on its financial stability. On the contrary, the current operational activities of the Bank – are profitable after the coming of new shareholders in 2010.

The ratio adequacy of capital (RAC) of the Bank, considering risks, calculated by the method of the National Bank of the Republic of Kazakhstan, on 01.01.2014, amounts to about 21%. This is one of the highest among major banks in the Republic of Kazakhstan. Thus, the current level of the Bank's capital allows increasing assets almost twice, making it impossible to figure RAC reduced to less than 10%, even with the aggressive growth of the Bank in the coming years.

BANK'S PROFIT

For the year, ended on December 31,

Income / expense on the consolidated financial statements

th. tenge	2011	2012	2013
Interestincome	22 782 795	23 658 178	23 535 189
Interest expense	- 13 711 563	- 11 372 582	- 11 651 762
Netinterestincome	9 071 232	12 285 596	11 883 427
Net fee and commission income	3 167 262	3 199 057	2 763 325
Operatingincome	275 803	17 091 687	1 169 698
Operatingexpence	- 7 554 737	- 9 099 733	- 8 914 614
Impairment losses and expenses of reserves	-6 325 071	-20 832 108	-40 995 067
Savings (expense) by corporate income tax	1 867 808	- 690 250	747 652
Прибыль/убыток за год	502 297	1 954 249	-33 345 579
Profit / loss for the year from discontinued operations, excluding income tax			1 030 380
Loss / profit for the year	502 297	1 954 249	-32 315 199

Considering the net income before forming provision for impairment losses on interest bearing assets and before the tax of 12 months of 2013, we observe a profit of 8.7 billion.

As a result of writing off 33,345 million as for reserves the result was - 32 315 million, which, accordingly, influenced on the return on assets and equity for the 2013.

Randomcoefficients%	2011	2012	2013
Returnonassets (RoAA)	0,2%	0,8%	-13,6%
Returnonequity (RoAE)	0,7%	2,7%	-85,4%
The ratio of operating expenses to operating income	73%	53%	88%
Ratio of net fee and commission income to operating income	29%	19%	33%
Loans to customers (excluding provisions) / Deposits%	122%	122%	116%
Loans to customers (excluding provisions) / Assets%	73%	73%	67%
Net interest margin (excluding provisions)	2,1%	1,7%	1,9%
Customer deposits / liabilities of the Bank	83%	81%	73%

4. The Bank’s rating

To date, 2014. International rating agency Standard & Poor’s confirmed the long-term and short-term ratings of Nurbank at 'B / B' and the national scale rating at «kzBB +». "Stable" outlook reflects that in the next 12 months, Nurbank will maintain strong capitalization and high liquidity, and profitability and quality of assets will gradually improve because of new business development and reduce the amount of bad loans.

5. Strategic Objectives

The basis of qualitative growth of the Bank in the future will be the achievement of the following medium-term strategic objectives:

- increase of a market share and hitting the top ten in terms of assets of second-tier banks in the RK. The Bank aims in medium-term to increase market share in the assets of the banking system to 2.4% by the end of the year 2016. In order to perform this task it is necessary to ensure the growth of active operations and to increase market share in the lendingmarketof legal entities and individuals;
- Increasing the share of retail crediting in the loan portfolio of the Bank and the declining share of problem loans in the loan portfolio of the Bank;
- priority for the Bank is also crediting SME customers, for which is planned to develop both, its own and together with public authorities, lending programs in this category . At the same time, despite the growth of business volumes and significant increase of active operations, will be continued the work of improving the quality of loan portfolio, the declining in the share of problem loans in the loan portfolio;
- Bank intends to implement the complex management of all types of risk;
- an increase in sales of commodity credit for Kazakhstan, growth of the Bank's partners quantity, increasing points of sale of commodity credits;
- ensuring the growth of net fee and commission income;
- increasing the share of covering by non-interest income of operating expenses. The development strategy envisages an increase of transactions on settlement and cash services, revenue growth through shares, together with the operators of payment systems for payments and transfers, increase in the share non-interest income to gross income through the development of alternative sales channels, increase of clients base;
- the level of capital, the Bank intends to increase considering acceptable level of risk and Development Strategy of the Bank due to the Bank's profit growth.

6. Corporate management

The basis of the system of corporate management of JSC "Nurbank" (hereinafter - the "Bank") is the principle of unconditional compliance with the laws of the Republic of Kazakhstan,laws and regulations of the National Bank of the Republic of Kazakhstan, as well as the desire to fully correspond to the advanced international requirementsregarding corporate management issues considering evolving practices of corporate governance, ethical norms or needs in Kazakhstan.

Fundamental document that governs the system of corporate management is Corporate Governance Code (hereinafter - the "Code") which was approved by General Meeting of Shareholders in 2014. Bank in the course of its daily activities adheres to the principles of the Code for ensuring the effective management, which in turn is designed to maintain and improve the investment attractiveness for shareholders over long period. High-quality and effective system of corporate management promotes an improving of the activities of the bank allowing the Board of Directors in the best way to exercise its duties on behalf of all shareholders. Code meets the requirements of the Law of the Republic of Kazakhstan "On Joint Stock Companies" which provides legal framework of corporate management standards in the country. Kazakh joint stock companies form the Code with consideration of existing international experience in the field of Corporate Governance and Recommendations on the application of the principles of corporate management. These principles were approved by resolution of Stock Market Decision Review Board of the National Bank of the Republic of Kazakhstan dated 24 September 2002, recommendations of the Basel Committee on Banking Supervision.

Corporate management of the Bank formed on the following principles:

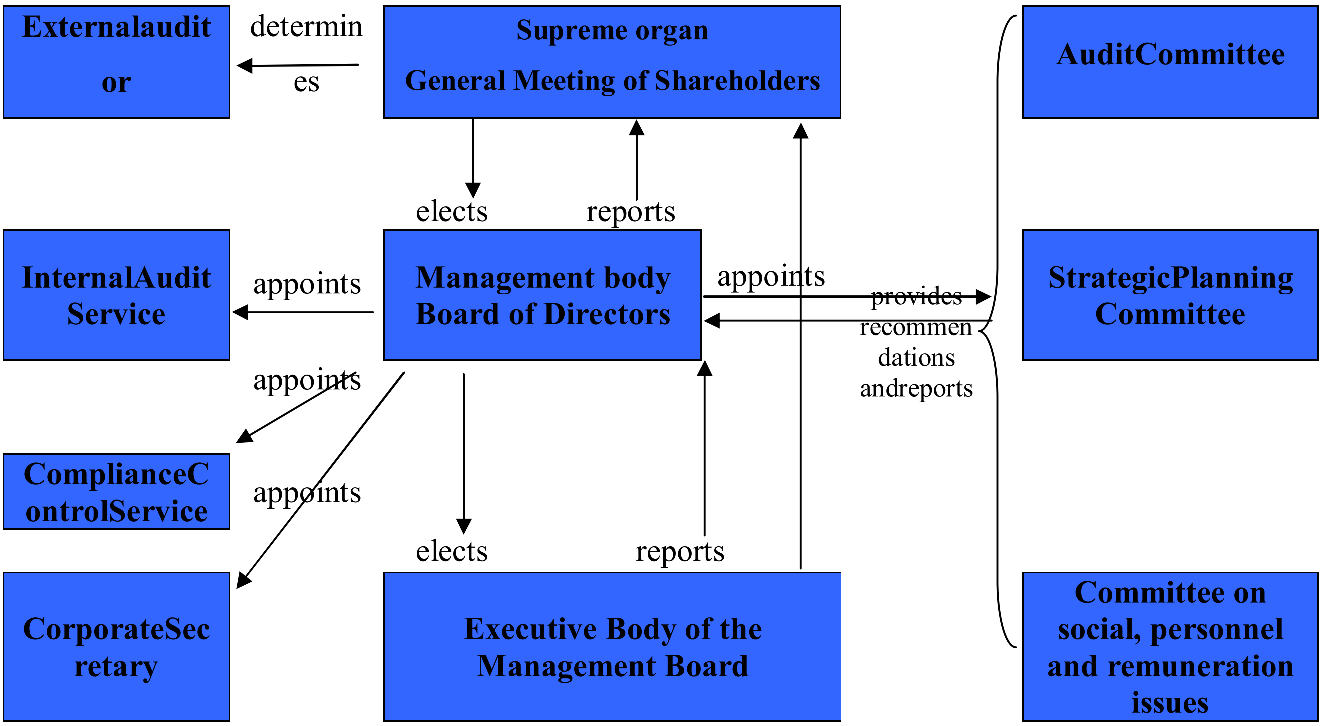
1) Protection the rights and interests of the shareholders of the Bank;
2) Effective corporate management and control;
3) Transparency and objectivity of disclosing information about the Bank's activities and financial information;
4) Legality and high ethical standards;
5) Effective dividend policy;
6) Effective personnel policy;
7) Constructive settlement of corporate conflicts;
8) Environmental protection and protection of corporate social responsibility.

The Bank adheres to the principle of equal treatment of its shareholders, respecting their rights under the laws of the Republic of Kazakhstan including those related to the receiving dividends and participation in the management of the Bank through a General Meeting of Shareholders, timely disclosure of reliable information about the Bank to shareholders of the Bank including its financial position, economic performance and results of its activities.

The corporate governance structure

The supreme body of the Bank is the General Meeting of Shareholders. Members of the Board of Directors shall be elected by the shareholders and are accountable to the General Meeting of Shareholders. The Board of Directors determines the business priorities and exercise control over executive body, the Management Board of the Bank, as well as committees of the Board of Directors, the Internal Audit Service, the Corporate Secretary, Compliance Control Service and the Department of Safety.

The corporate governance structure of JSC "Nurbank"



1) The Board of Directors

The Board of Directors is the governing body of the Bank which exercise strategic management of the Bank, control over financial and economic activities and risk management system, executes resolutions and policy of the Bank, approved by the General Meeting of Shareholders. The Board of Directors ensures the transparency of operations, financial condition and results of operations of the Bank.

Members of the Board of Directors shall be elected by the General Meeting of Shareholders. Members of the Board of Directors shall be elected to the office subject to compulsory consultationwith the National Bank of the Republic of Kazakhstan. Board shall be formed in an amount of not less than three persons. For today, the Board of Directors of the Bank consists of three persons, one of which has the status of an eligible. Despite the fact that all Directors are equal before the law of the Republic of Kazakhstan, in order for proper management of the Bank, eligible director plays a significant role in the system of corporate responsibility. They shall be responsible for the strategy consideration proposed by other members of the Board of Directors as well as for the evaluation of performance of the desired goals and objectives by the Bank's management. It also exercise crucial role in terms of control and effective functioning of the Committee working with the Board of Directors.

Body of the Board of Directors did not change in 2013.

Members of the Board of Directors

Yerzhanova Raushan Zeynullayevna

Chairman of the Board of Directors

Date of assignment: works in the Bank since 2010. In June 8, 2010 by the resolution of the General Meeting of Shareholders was appointed the Chairman of the Board.

Kramer Eduard Lvovich

Member of the Board of Directors

In June 8, 2010 by the resolution of the General Meeting of Shareholders was appointed the member of the Board of Directors.

Frolov Alexander Leonidovich

Eligible Director

Date of assignment: September 6, 2010.

Committee membership: Chairman of the Internal Audit Committee, the Strategic Planning Committee, Committee on social, personnel and remuneration issues.

2) Committees of the Board of Directors

The Bank has established an effective system of corporate management and control over financial and economic activities as the protection of rights and legitimate interests of shareholders. The Board of Directors operates three committees: Strategic Planning Committee, Internal Audit Committee and Committee on social, personnel and remuneration issues.

Audit Committee

The Board of Directors shall appoint members of the Audit Committee, which is responsible for the following:

1) Establishing an effective system of control over financial and economic activities of the Bank (including, for the completeness and accuracy of the financial statements);

2) Control over the reliability and efficiency of the internal control system and risk management system, as well as documents relating to corporate management;

3) Monitoring the integrity of the financial statements of the Bank and any official announcements regarding the financial performance of the Bank with overview of meaningful evaluations on the financial statements they have;

4) Overview of internal financial controls of the Bank, overview of the internal control system and risk management system of the Bank, in case if appropriate overview hasn't been conducted by the Committee, which is responsible for the risk management issues or direct management of the Board of Directors;

5) Monitoring and control over independence of the external and internal audit, as well as over the process of ensuring compliance with law of the Republic of Kazakhstan;

6) Providing recommendations to the Board of Directors, so that the Board of Directors presented them for approval to the General Meeting of Shareholders for election or re-election or termination of relations with the external auditor and approving amount of the remuneration and conditions for attracting of the external auditor;

7) Overview and monitoring of independence and objectivity of the external auditor and the effectiveness of the audit process, considering relevant professional and regulatory requirements;

8) Development and implementation of policies of attraction of the external auditor to provide services unrelated to the audit considering relevant ethical provisions concerning provision of non-audit services by external audit organization;

9) Providing reports to the Board of Directors with the determination of any issues in respect of which the Internal Audit Committee considers it necessary to take certain measures or improvements, as well as providing advice on the step-by-step execution of the recommendations have been made.

The Strategic Planning Committee

The main responsibilities of the Committee include:

1) Preliminary overview of strategic objectives (development strategy) of the Bank, making changes and additions, as well as their periodic revision;

2) examination of monitoring results of changes in the economic, competitive, laws and regulations environment to determine their impact on the existing development strategy of the Bank, its subsidiaries and associates and providing revision / revaluation of the development strategy subject to those changes;

3) Regular progress review of exercising of measures for realization of the development strategy of the Bank and providing report to the Board of Directors with performance evaluation of measures for implementation of the development strategy and recommendations for achieving desired objectives;

4) analysis and providing recommendations to the Board of Directors on the development of the strategic decisions relating to the determination of the priorities of the Bank activities (development) and evaluation of the approved priority directions of the development of the Bank;

5) Analysis and providing advice to the Board of Directors on the development of strategic decisions related to improvement of effectiveness of the Bank activities in medium and long-term perspective;

6) Preliminary overview and approval of activities plans on the implementation of the Bank development strategy;

7) Preliminary overview of the documents submitted to the Board of Directors, containing information on progress review of exercising of the development strategy, achieving desired values of strategic key performance indicators.

Committee on social, personnel and remuneration issues

The Committee was created to enhance the effectiveness of personnel policy and motivation policy of the Bank. Committee on social, personnel and remuneration issues exercises:

1) Production and submission of recommendations to the Board of Directors on the realization of personnel policy and motivation policy in respect of the members of the Board, manager and employees of the Internal Audit Service, manager and employees of the Compliance Service, Corporate Secretary of the Bank, as well as other divisions that are accountable to the Board of Directors;

2) Submission of recommendations to the to the Board of Directors on the appointment of persons to the offices, appointing of which falls within the competence of the Board of Directors;

4) Submission of recommendations to the Board of Directors on the remuneration of the Management Board members and members of the Board of Directors;

5) Submission of recommendations to the Board of Directors on the social issues in respect of the Bank personnel.

3) The Management Board

The Management Board is a collegial executive body that carries out the current management of the Bank activities. Members of the Management Board shall be elected to the office, subject to compulsory consultation with KEF.

Chairman of the Management Board

Kantar Bekaralovich Orinbayev

Has 10 years of experience in the funded pension system of Kazakhstan, nearly 20 years of experience in the financial sector. Started his career in the banking system, "Alem Bank Kazakhstan", JSC "National Bank of Kazakhstan".In JSC "NPF National Bank of Kazakhstan" worked his way up from analyst to the First Deputy Chairman of the Board. He was a member of the Board of Association of Asset Managers, the Exchange Committee of the Kazakhstan Stock Exchange, took part in various interagency working groups. Active speaker in the media has dozens of publications in leading business editions in Kazakhstan.

In the Bank exercise functions determined by the charter of the bank and resolutions of the General Meeting of Shareholders, and the Board of Directors, supervisesthe work of the Office of the Chairman of the Management Board, Accounting Department, Risk Department, and Personnel Department.

Deputy Chairman of the Management Board

Saken Kadirovich Akhmetov

Mr. Akhmetov is one of the experienced workers, both in the banking and corporate sector. From 1995 to 2002 he worked in "National Bank of Kazakhstan", directly addressed the issues of structured financing, worked with the SME sector and large corporate clients. Accumulated experience has allowed him in 2002 to go into the corporate sector in a leading position. After which he was invited to the JSC "APK" and JSC "AlES" and held the office of the Director of the Treasury Department during the period from 2002 to 2010. In summer 2010, Mr. Akhmetov began work in "Nurbank" and in the present holds the office of Deputy Chairman of the Management Board.

Mr. Akhmetov graduated from Tashkent National Pedagogical Institute of Foreign Languages of Engels. He graduated from the Republican Institute of Retraining, majoring in accounting and economics in 1996-1997. Fluent in French.

In the Bank supervises the work of the Managing Director Kassenov K.M., Managing Director Saldanova D.M., SME Department, Cooperation of Corporations Department, Retail Business Department, and Trade Financing Department.

Deputy Chairman of the Management Board

Kairat Zhumabekovich Turmagambetov

Has 20 years of experience in the financial structures of Kazakhstan. Started his career in 1986 as a software engineer in the Alma-Ata production and technical enterprise, then a leading specialist in Almaty stock exchange.Mr.Turmagambetov in various years from 1995 to 2009 was vice-president of the Central Asian Stock Exchange, Deputy Director of the Department of structured financing of Halyk Savings Bank of Kazakhstan. From 1999 to 2009, he held the office of executive director of the investment company «Global Securities Kazakhstan». In 2011, he was appointed the head of the management of the Treasury JSC "Nurbank".

In the present KairatZhumabekovich is Deputy Chairman of the Management Board of "Nurbank", as well as member of the Board of Directors of the JSC APF "Atameken", JSC «Money Experts», and JSC «CAIFC Investment Group».

In the Bank, he supervises the work of the Treasury Department, Central Operating Department, and Office of payment cards.

Financial Director - member of the Management Board

Rishat Selmarovich Zhakanbayev

Mr. Zhakanbayev has rich experience in the financial sector. He started his professional career in this sector in 1993, occupying the office of accountant of Accounting and Operational Management of the central Kazakh joint-stock bank "CenterBank". In different periods Mr. Zhakanbayev held offices of the deputy chief accountant and chief accountant of banks such as closed JSC “Zhilstroibank”, JSC “Bank CenterCredit”, JSC “Development Bank of Kazakhstan”, JSC "Alliance Bank". In July 2010, he was offered the office of chief accountant of JSC "Nurbank", and in January of the following year, he was appointed as Financial Director of “Nurbank”.

Mr. Zhakanbayev graduated from Kazakh State University of Economics with a degree in “Finance and credit”, and received a bachelor's degree in “Jurisprudence” of the Kazakh National Pedagogical University of Abaya.

In the Bank, he supervises the work of the Department of Information Systems, Department of Infrastructure Support, Departmen of projects and process automation, Control and budget management, Capital Management, Management of Financial Institutions, representatives of JSC “Nurbank” in Moscow, subsidiary of JSC “Nurbank”.

Managing Director - member of the Management Board

Gulnara Abayevna Musatayeva

Ms. Musatayeva over the years of work has gained valuable experience in both national regulatory agencies and commercial structures. Her work activities connected with organizations such as the Regulation and Supervision of Financial Market Agency of the Republic of Kazakhstan, National Bank of Kazakhstan and the largest commercial bank of the republic. In May 2011, Ms. Musatayeva was invited to the office of Managing Director of the JSC "Nurbank".

Ms. Musatayeva graduated from Karaganda National University, majoring in "Jurisprudence".

In the Bank, she supervises the work of the Legal Department, Collateral Management, Claim-related work and control over enforcement proceedings management, Administrative management.

Managing Director - member of the Management Board

Telegina Irina Igorevna

Has 20 years of experience in the financial structures of Kazakhstan. She started her career in 1990 as a specialist in the Leninskydistrict administration of Karaganda, then a lawyer of personnel department of Karaganda regional financial management. Ms. Telegina in various years from 1998 to 2013 worked at JSC "BTA Bank", work her way up from acting head of the legal department to the director of the legal department. In 2013, she was appointed as adviser of the JSC "Nurbank".

Currently, Irina Igorevna is Managing Director of "Nurbank", as well as member of the Management Board.

In the Bank, she supervises the work of the Department of troubled loans, Contact Center, LLP “Organization on management of distressed assets “NB”.

4) The Internal Audit Service

The Internal Audit Service shall evaluate the internal control system based on the audit plan, which, in turn, shall be based on the level of risk inherent in the activities of various divisions. During audit plan, evaluation of the level of efficiency of the internal control and risk management, and corporate management shall be exercised.

In order to ensure the independence and objectivity of the internal audit, internal audit service functionally subordinate and accountable to the Board of Directors.

Head of Internal Audit Service - Tatarkova Irina Ivanovna

5) Compliance Control Service

Compliance Control Service shall manage compliance risk, namely the risk of expenses (losses) resulting from the Bank non-compliance with the requirements of the legislation of the Republic of Kazakhstan, including laws and regulations of the authorized body, as well as internal regulations and procedures of the Bank. Compliance Control Service shall inform the Board Management and the Board of Directors of the Bank of any operations that could lead to expenses or loss of goodwill as a result of non-compliance with the legislation of the Republic of Kazakhstan.

Head of the Compliance Control Service - Mugadami Minura Muhammedovna

8. Socialreport

Social responsibility is an indication of the maturity of the organization and its financial stability. JSC "Nurbank", being present in the market of banking services and products in Kazakhstan for 22 years, always pays the utmost attention to the provision of sponsorship and charity. During its existence, the Bank has implemented more than 1,000 programs for charity. According to the adopted in 2008 Policy in the field of charity and sponsorship activities the priorities of the Bank aimed at:

1. Cooperation with non-governmental organizations specializing in assistance to orphans and children left without parental care;
2. Maintaining social projects that have regional significance;

3. Sponsoring activities on promotion healthy lifestyle;
4. Mass cultural events of social orientation.

Support for small and medium businesses

In 2013, "Nurbank" implemented in cooperation with the Development Fund of Entrepreneurship "Damu" support program and financing of SME in the scope of implementation of government programs. The purpose of the program is to provide access to cheaper financial resources for entrepreneurs of the Republic of Kazakhstan, create new jobs, support the investment needs of SME and development of production. Thus, the Bank's branch in Taraz was recognized as "Best Bank" in the region in terms of funding entrepreneurs in the scope of the program "Business Road Map-2020".

Now "Nurbank" participates in the following government programs for small and medium businesses:

- Programs of stipulated placement of resources "Damu";
- Financing programs of regional priority projects of SME «Damuregioni» subjects;
- Government program of subsidies and loan guarantees of private entrepreneurs "Business Road Map 2020";
- Monotown development program for 2012-2020;
- Subsidy program of fee rate on bank loans provided to private enterprises, operating in the town of Zhanaozen;
- Support program for SME subjects engaged in the manufacturing industry.

Support of the socially vulnerable segments of the population

JSC "Nurbank" became the first representative of Kazakh business, who won in 2013 in I International Competition "Trustworthy Bank - 2013" (the magazine "The Banker") nomination "For the best charitable projects".This event has demonstrated that bank understands the role of corporate social responsibility and commitment to the principles of sustainable development. We are confident that the credibility of the bank by the public and reliability are our main asset. Now JSC "Nurbank" implements a number of charitable programs on whole Kazakhstan scale.

Way home

Many orphans have already found their second family through the TV program "Way home", which was launched in 2008 with the ideological and financial support of JSC "Nurbank". The program has been in existence for six years. The main purpose of the project is to help orphans find family and feel the warmth of mother's hands and the family hearth. For six years, detailed answers on the procedure of adoption of children have been given in the programs. The project "Way home" has galvanized public. A variety of volunteers from among ordinary citizens, students and organizations has appeared who began visiting children in orphanages, providing them with material and moral support, teaching them some necessary and useful things in life

"Way home" is the only social project that is well known not only in Kazakhstan, but also beyond. During the existence of the project, more than 300 children have found families.

Time to give warmth

Every year as a part of these campaign festive events are organized in all big cities of Kazakhstan for boarding-school children, orphans and children left without parental care. The campaign aims not only to obtain financial support but to give children opportunity to communicate, to receive a small part of warmth they were deprived by their parents.

As a part of this campaign, "Nurbank" Corporation realized the following events:

- charity event in the horse club "Dibek" for the pupils of the special boarding-school #8 for the children with mental retardation (MR), orphans and those who was left without parental care. Before noon there were organized a drawing competition, horse-breeding quiz and chin-up competition. According to the results, the bankers gave children MP-3 players and backpacks. During the event the children were fully engaged in the competitions and demonstrated to the bankers their horse-riding skills got in "Dibek" during the vacation;

- charity demonstration of Disney's animated film "Frozen" for the orphans and children left without parental care. As a part of the event Chairman of "Nurbank" Corporation Kantar Orynbayev and 30 children of Almaty orphan home #1 visited cinema show in the Kinopark 11 IMAX 3D, situated in the Shopping and Entertainment Complex Essentai Mall;

- charity demonstration of the animated film "Epic" for the pupils of the special boarding-school #8 for the children with mental retardation (MR), orphans and those who was left without parental care, that took place in the Kinopark 11 IMAX 3D, situated in the Essentai Mall;

- meeting with the children of Almaty regional orphan home #1 (Baganashul town). The bankers gifted the kids with rollers, dolls, stuffed toys, clothes, books and many other presents. They also played with the children their favorite games. Currently over 200 children aged from 6 to 18 years live in Baganashul orphan home;

- charity demonstration of the animated film "Tarbosaurus 3D" for the children of the orphan home #2 and special boarding-school #8;

- New Year Tree for Almaty orphan home #1. Top-managers of the bank together with the children and animators sang and danced in a ring and played with fairy-tale characters. The children received sweet gifts from festival promoters. The event aimed to give children joy and high spirits before the New Year;

- financial support for leucosis treatment of ChayshviliAmiram;

- as a part of the event "Nurbank" took part in the republic's campaign "Road to School" in the cities of Taraz and Taldykorgan. In Taraz city the bank helped the children from needy, large, single-parent families and families with handicapped children to prepare for the new school year, and in the city of Tandykorgan it helped the disabled children of Koksu residential treatment center;

- in the city of Almaty the Bank provided financial support for the handicapped children of the Family Club "Sudba" to celebrate the Day of Disabled Persons in Kazakhstan State Circus. Currently in the Club there are 25 special needs children;

- in Petropavlovsk city the Bank bought the backline for the Public Office "Airtaypsychoneurological care house".

Children's Day

Every year in honor of Children's Day "Nurbank" Corporation arranges festive events in all big cities of Kazakhstan. On Children's Day in 2013, the following charity events were organized to support the orphan home's children:

- in Aktobe city the Bank bought the necessary clothes for the children of Public Office of Child care Center “Ymit”

- the Bank donated the Public Office "Specialized Child Care Center" of Astana 4 inhalants-nebulizers, clothes and food;

- to Taldykorgan Residential Treatment Center for disabled children of Koksu district the Bank presented cycles, chess, checks and backgammon sets, toguzkumalak, trampoline, videoplayer able to show 3D films;

- to Jarkent Public Office "Panfilovsky district Orphan home" the Bank donated sports clothes for boys and girls;

- in Karaganda city for the children of Public Office "Orphan home "Asem" of family type the Bank organized a celebration with the participation of life-size puppets and animators;

- in Kokshetau city the bank employees gave children free ice-cream on the Central square;

- in Kostanay city the Bank gave toys and child clothes to the Orphan Home "Delfin";

- in 2012 the Bank signed the "Social Contract about mutual cooperation in favour of social case support of orphans and children left without parental care" with Oskemen Board of Education. As a part of a contract, the branch bank employees transferred their daily salary to the account of the child that was under foster care (Gredin M.D. 2006 b. y., Municipal Institution "Childcare Center for disabled children"). Besides that the Bank employees visited Municipal Institution "Childcare Center for disabled children" and gave children drawing-books, paints, coloured pencils, markers and so on;

- in Pavlodar city the Bank bought MFD projector, monitor and toys for Public Association of Disabled People of Child's Residential treatment Center "Samal";

- in Petropavlovsk city the Bank bought office supplies and learning games for disabled children of Sokolovsky special school. The Bank also presented various gifts, sweets, coloured balloons to the children of Orphan home of family type "Asem";

- in Semey city the Bank sewed national costumes specially for the disabled children of Municipal Institution "Special Services Center";

- in Taraz city the Bank employees not only took part in blood recovery campaign, but visited Russian Dramatical Theatre with 170 children of the Orphan Home named after Saromoldaev, where they were pleased to watch the fairy-tales "Tuk-tuk! Who's there?" and the cartoon "Rio" in the cinema "Eurasia". In addition, in Taraz city "Nurbank" Corporation participated in the city event organized by the second-tier bank of Taraz that aimed to provide excursion tickets to Astana city for 10 children of the Orphan Home named after Saromoldaev and 170 gift sets;

- the Bank sent the IT specialist to Uralsk city to rearrange computer equipment and software in Public Office "Regional Child Antituberculous Sanatorium "Ivushka". The Bank also helped the Orphan home “Meyirim” by organizing clothes gathering in favour of it;

- in Shymkent city for the Orphan Home #3 the Bank bought a washing-machine, soccer balls for boys, hair clips for girls, office supplies and many other things.

Green clean-up event

As a part of this event 150 employees of the Bank and 40 children from the special boarding-school #8 for the children with mental retardation (MR), orphans and those who was left without parental care, cleaned of litter the territory of Almaarasansky gorge of ZailyiskyiAlatay. The main goal of the event is upbringing the younger generation in the spirit of patriotism, love of country, earth and nature. This event also aims to unite the youth and form a positive attitude to socially useful work.

Bankers are against rubbish

"Cleanliness is next to godliness!" - was the classical slogan of "Nurbank" Corporation's event "Bankers are against rubbish" aimed to draw attention to the problem of leisure areas' pollution. Having their matters put off, 200 bank employees and Kazakhstan stage stars cleaned up of litter the nature of Medey gorge.

Thank granddad for the victory!

Every year before the Victory Day "Nurbank" Corporation supports veterans. Traditional annual social events in honour of Victory Day from "Nurbank" Corporation are tribute to the stamina and heroism of those who fought for the Great Victory.

Support of Kazakhstan youth progress

"Nurbank" Corporation pays attention to the support of gifted and talented youth as the creative potential determines the property of the people. So, as a part of this movement the Bank realized the following events:

- with the support of "Nurbank" Corporation the second annual talent show "Kn's Got Talent" took place in the concert hall of London "Logan Hall". The initiator of this show is Kazakhstan Student Community in Great Britain.

- "Nurbank" Corporation supported the band "Dudar-ay" that consists of four inmates of the Almaty Children's Home #1: Ermek, Serik, Kairjan and Ahmet. As a part of the event, Chairman of the Bank Kantar Orynbayev together with the children visited a shop of men clothes, where the young musicians chose the costumes for different vocal competitions and got Chairman's valuable advice concerning outfit making.

Social initiatives

The Bank supports social initiatives of non-governmental organizations, community, employees and clients intended to improve the education, child healthcare, development of culture, social conscience, spirituality, support of moral bearings.

Day of Donor

Over the period of several years "Nurbank" Corporation and Republican Blood Center organize in bank offices the Day of Donor. So, on Children's Day the employees of the Bank in the cities of Almaty and Taraz took part in blood recovery campaign in favour of children in need who were receiving medical treatment in the Scientific Center of Pediatry and Pediatric Surgery of Kazakhstan Ministry of Public Health. The campaign is hold with the support of Republican Center of Blood Transfusion and Kazakhstan Association of Donors.

In 2014 we plan to develop a proactive approach in the social and charity practice relying on a human potential and focusing on the support of the inmates of Children's Homes, the GPW veterans, disabled people, and realize socially important projects.

Corporate Responsibility to the Bank's clients

As a main goal of Corporate Responsibility to its clients, the Bank considers successful business activities in favour of Kazakhstan economic development, providing necessary and high-quality services to the clients in order to improve the quality of their life. The main Strategic goal of the Bank management is organization of modern multifunctional credit establishment that is able to meet the requirements of the bank clients in a quality and effective manner, according to the global standards. We always strive to the upgrade of the quality, business process efficiency, to the introduction of new technologies. It means that we stand by constant tendency to self-improvement, advanced training and career growth of bank employees.

Public Relations

In the sphere of public relations "Nurbank" Corporation, adhere to social transparency. The Bank efficiently cooperates with the mass media. All the available communication channels are used in this regard - corporate site of the Bank www.nurbank.kz, Facebook and Twitter corporate user accounts, and traditional electronic mailing, press conferences, briefings. Using social media pages of the Bank, the clients can receive immediate answers concerning all the products and services, take part in commenting out certain events related to the Bank.

Nurbank JSC

Consolidated Financial Statements

for the year ended 31 December 2013

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Independent Auditors' Report

To the Shareholders and Board of Directors of Nurbank JSC

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2012 were audited by other auditors whose report dated 5 April 2013 expressed an unmodified opinion on those statements.

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

KPMG Audit LLC

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

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

28 April 2014

	Note	2013 KZT'000	2012 KZT'000
Continuing operations			
Interest income	4	23,535,189	23,658,178
Interest expense	4	(11,651,762)	(11,372,582)
Net interest income		**11,883,427**	**12,285,596**
Fee and commission income	5	2,981,865	2,626,686
Fee and commission expense	6	(218,540)	(200,979)
Net fee and commission income		**2,763,325**	**2,425,707**
Net gain (loss) on financial instruments at fair value through profit or loss		232,990	(197,333)
Net foreign exchange gain	7	707,555	1,233,699
Net gain on available-for-sale financial assets		124,342	994,485
Gain on sale of loans	17	-	14,238,275
Net income from insurance operations	8	305,218	175,955
Other operating (expenses) income		(200,407)	646,606
Operating income		**15,816,450**	**31,802,990**
Impairment losses and provision expenses	9	(40,995,067)	(21,300,085)
Personnel expenses	10	(4,362,736)	(3,993,893)
Other general administrative expenses	11	(4,551,878)	(3,783,131)
(Loss) profit before income tax		**(34,093,231)**	**2,725,881**
Income tax benefit (expense)	12	747,652	(661,607)
(Loss) profit for the year from continuing operations		**(33,345,579)**	**2,064,274**
Discontinued operations			
Profit (loss) for the year from discontinued operations (net of income tax)	35	1,030,380	(110,025)
(Loss) profit for the year		**(32,315,199)**	**1,954,249**
(Loss) profit attributable to:			
- Equity holders of the Bank		(32,316,502)	1,951,817
- Non-controlling interests		1,303	2,432
(Loss) profit for the year		**(32,315,199)**	**1,954,249**

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

	Note	2013 KZT'000	2012 KZT'000
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(255,043)	(1,936,437)
- Net change in fair value transferred to profit or loss		(155,754)	771,622
Impairment loss on available-for-sale financial assets transferred to profit or loss		8,381	222,863
Foreign currency translation differences		-	90
Total items that are or may be reclassified subsequently to profit or loss		*(402,416)*	*(941,862)*
Other comprehensive income for the year		**(402,416)**	**(941,862)**
Total comprehensive (loss) income for the year		**(32,717,615)**	**1,012,387**
Total comprehensive (loss) income attributable to:			
- Equity holders of the Bank		(32,719,052)	1,012,124
- Non-controlling interests		1,437	263
Total comprehensive (loss) income for the year		**(32,717,615)**	**1,012,387**
(Loss) earnings per ordinary share, in KZT	27	(3,070.15)	185.43

The consolidated financial statements as set out on pages 5 to 82 were approved by management on 28 April 2014 and were signed on its behalf by:

Orynbayev K. B.
Chairman of the Board

Filatova A.I.
Acting Chief Accountant

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

	Note	2013 KZT'000	2012 KZT'000
ASSETS			
Cash and cash equivalents	13	29,471,147	23,502,928
Financial instruments at fair value through profit or loss	14	1,211,643	1,996,006
Available-for-sale financial assets	15	38,659,862	34,321,553
Deposits and balances with banks and other financial institutions	16	2,344,059	1,459,346
Loans to customers	17	151,732,916	172,583,516
Current tax asset		100,147	185,374
Property and equipment	18	3,896,459	4,058,701
Deferred tax asset	12	3,616,271	2,976,119
Other assets	19	14,569,368	15,258,817
Total assets		**245,601,872**	**256,342,360**
LIABILITIES			
Loans from the Government of the Republic of Kazakhstan	20	6,585,642	8,789,677
Deposits and balances from banks and other financial institutions	21	1,057,064	1,797,364
Current accounts and deposits from customers	22	152,139,857	149,080,108
Debt securities issued	23	34,700,351	14,804,685
Subordinated debt	24	7,073,629	6,990,612
Other liabilities	25	5,006,076	3,123,046
Total liabilities		**206,562,619**	**184,585,492**
EQUITY	26		
Share capital		127,611,241	127,611,241
Treasury shares		(275,253)	(275,253)
Additional paid-in capital		100	100
Dynamic reserve		4,380,918	-
Revaluation reserve for available-for-sale financial assets		(851,799)	(449,249)
Revaluation reserve for land and buildings		970,879	986,538
Reserve for general insurance risks		103,421	127,176
Accumulated losses		(93,131,895)	(56,473,889)
Total equity attributable to equity holders of the Bank		**38,807,612**	**71,526,664**
Non-controlling interests		231,641	230,204
Total equity		**39,039,253**	**71,756,868**
Total liabilities and equity		**245,601,872**	**256,342,360**

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

	2013 KZT'000	2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	21,341,763	30,215,848
Interest payments	(11,589,790)	(10,623,659)
Fee and commission receipts	4,456,079	3,572,491
Fee and commission payments	(275,681)	(218,560)
Net receipts (payments) from financial instruments at fair value through profit or loss	268,773	(2,502)
Net receipts from foreign exchange	357,045	505,990
Other operating income receipts	336,584	786,203
Personnel expenses payments	(4,586,836)	(4,634,558)
Other general administrative expenses payments	(3,721,275)	(3,194,295)
(Increase) decrease in operating assets		
Financial instruments at fair value through profit or loss	705,177	(69,681)
Deposits and balances with banks and other financial institutions	(112,400)	91,167
Loans to customers	(16,360,846)	(1,505,274)
Other assets	(163,128)	954,664
Increase (decrease) in operating liabilities		
Loans from the Government of the Republic of Kazakhstan	(2,213,128)	(1,044,711)
Deposits and balances from banks and other financial institutions	(812,622)	(501,089)
Current accounts and deposits from customers	2,679,881	(10,191,912)
Other liabilities	1,101,842	660,512
Net cash (used in) provided from operating activities before income tax paid	**(8,588,562)**	**4,800,634**
Income tax paid	(18,877)	-
Cash flows (used in) from operations	**(8,607,439)**	**4,800,634**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(17,467,978)	(15,129,866)
Sale and repayment of available-for-sale financial assets	12,693,329	9,511,514
Purchases of property, equipment and intangible assets	(345,573)	(94,089)
Sales of property, equipment and intangible assets	46,708	4,319
Cash flows used in investing activities	**(5,073,514)**	**(5,708,122)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of own shares	-	(1,656)
Proceeds from debt securities issued	29,530,863	-
Redemption of debt securities issued	(9,995,311)	-
Receipts from subordinated debt	80,614	-
Repurchase/redemption of subordinated debt	(550)	-
Cash flows from (used in) financing activities	**19,615,616**	**(1,656)**
Net increase (decrease) in cash and cash equivalents	**5,934,663**	**(909,144)**
Effect of changes in exchange rates on cash and cash equivalents	33,556	(206,621)
Cash and cash equivalents as at the beginning of the year	23,502,928	24,618,693
Cash and cash equivalents as at the end of the year (Note 13)	**29,471,147**	**23,502,928**

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

	Attributable to equity holders of the Bank									
KZT'000	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Revaluation reserve for available-for-sale financial assets**	**Revaluation reserve for land and buildings**	**Reserve for general insurance risks**	**Dynamic reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2013	127,611,241	(275,253)	100	(449,249)	986,538	127,176	-	(56,473,889)	71,526,664	230,204	71,756,868
Total comprehensive income											
Loss for the year	-	-	-	-	-	-	-	(32,316,502)	(32,316,502)	1,303	(32,315,199)
Other comprehensive income											
Items that are or may be reclassified subsequently to profit or loss:											
Net change in fair value of available-for-sale financial assets	-	-	-	(254,570)	-	-	-	-	(254,570)	(473)	(255,043)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	(156,361)	-	-	-	-	(156,361)	607	(155,754)
Impairment loss on available-for-sale financial assets transferred to profit or loss	-	-	-	8,381	-	-	-	-	8,381	-	8,381
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*(402,550)*	-	-	-	-	*(402,550)*	*134*	*(402,416)*
Total other comprehensive income	-	-	-	(402,550)	-	-	-	-	(402,550)	134	(402,416)
Total comprehensive loss for the year	**-**	**-**	**-**	**(402,550)**	**-**	**-**	**-**	**(32,316,502)**	**(32,719,052)**	**1,437**	**(32,717,615)**
Other movements in equity											
Transfer of revaluation surplus as a result of depreciation and disposals	-	-	-	-	(15,659)	-	-	15,659	-	-	-
Transfer of insurance reserve	-	-	-	-	-	(23,755)	-	23,755	-	-	-
Transfer to dynamic reserves (Note 26 (b))	-	-	-	-	-	-	4,380,918	(4,380,918)	-	-	-
Balance as at 31 December 2013	**127,611,241**	**(275,253)**	**100**	**(851,799)**	**970,879**	**103,421**	**4,380,918**	**(93,131,895)**	**38,807,612**	**231,641**	**39,039,253**

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

	Attributable to equity holders of the Bank									
KZT'000	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Revaluation reserve for available-for-sale financial assets**	**Revaluation reserve for land and buildings**	**Reserve for general insurance risks**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2012	127,611,241	(273,597)	100	490,444	995,708	111,120	(58,418,820)	70,516,196	229,941	70,746,137
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	1,951,817	1,951,817	2,432	1,954,249
Other comprehensive income										
Items that are or may be reclassified subsequently to profit or loss:										
Net change in fair value of available-for-sale financial assets	-	-	-	(1,934,268)	-	-	-	(1,934,268)	(2,169)	(1,936,437)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	771,622	-	-	-	771,622	-	771,622
Impairment loss on available-for-sale financial assets transferred to profit or loss	-	-	-	222,863	-	-	-	222,863	-	222,863
Foreign currency translation differences	-	-	-	90	-	-	-	90	-	90
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*(939,693)*	-	-	-	*(939,693)*	*(2,169)*	*(941,862)*
Total other comprehensive income	-	-	-	(939,693)	-	-	-	(939,693)	(2,169)	(941,862)
Total comprehensive income for the year	**-**	**-**	**-**	**(939,693)**	**-**	**-**	**1,951,817**	**1,012,124**	**263**	**1,012,387**
Transactions with owners, recorded directly in equity										
Treasury shares acquired	-	(1,656)	-	-	-	-	-	(1,656)	-	(1,656)
Total transactions with owners	**-**	**(1,656)**	**-**	**-**	**-**	**-**	**-**	**(1,656)**	**-**	**(1,656)**
Other movements in equity										
Transfer of revaluation surplus as a result of depreciation and disposals	-	-	-	-	(9,170)	-	9,170	-	-	-
Transfer of insurance reserve	-	-	-	-	-	16,056	(16,056)	-	-	-
Balance as at 31 December 2012	**127,611,241**	**(275,253)**	**100**	**(449,249)**	**986,538**	**127,176**	**(56,473,889)**	**71,526,664**	**230,204**	**71,756,868**

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

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of Nurbank JSC (the "Bank") and its subsidiaries (together referred to as the "Group"). The principal subsidiaries include insurance, leasing, brokerage companies and a pension fund.

The Bank was established in the Republic of Kazakhstan in 1993. The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and transactions with securities and foreign exchange.

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

The Bank has a general banking license #142 dated 13 December 2007, and is a member of the the Kazakhstan Deposit Insurance Fund.

The Bank's registered office is 51-53 Abylai Khan st., 050004, Almaty, Republic of Kazakhstan.

As at 31 December 2013 the Bank has 16 branches and 58 cash settlement units (31 December 2012: 16 branches and 53 cash settlement units). The majority of the assets and liabilities are located in the Republic of Kazakhstan.

The subsidiaries are as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**31 December 2013**	**31 December 2012**
APF Atameken JSC	Kazakhstan	Pension asset management	94.79	94.79
Leasing Company Nur-Leasing LLC	Kazakhstan	Leasing	100.00	100.00
Insurance Company Nurpolicy LLC	Kazakhstan	Insurance	100.00	100.00
Money Experts JSC	Kazakhstan	Brokerage	100.00	100.00

The Group is ultimately controlled by a single individual, Mrs. Sarsenova S. T., who has the power to direct the transactions of the Group at her own discretion and for her own benefit.

As a result of changes in the Kazakhstan pension legislation in December 2013 Subsidiary of "Nurbank" JSC "Atameken" Accumulated Pension Fund JSC (the "Fund") transferred all pension assets that were under its management to the State-owned United Acumulative Pension Fund JSC. The transfer resulted in discontinuation of a signifcant part of the Group's operations (Note 35).

Following the transfer managing the Fund's own investment portfolio became its primarily business activity. Currently the process of evaluation of different alternative business strategies, including complete liquidation of the Fund is taking place but no final decision is yet taken.

On 19 March 2014 the Fund ceased its license on pension asset management.

(b) Kazakhstan business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

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

- income tax benefit (expense) – Note 12
- loan impairment estimates - Note 17
- revaluation of land and buildings – Note 18
- estimates of fair values of financial instruments – Note 34.

(e) Changes in accounting policies and presentation

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

- IFRS 10 *Consolidated Financial statements* (see (i))
- IFRS 12 *Disclosure of Interests in Other Entities* (see (ii))
- IFRS 13 *Fair Value Measurements* (see (iii))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (see (iv))
- *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (v))

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

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

(i) Subsidiaries, including structured entities

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

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

(ii) Disclosure of Interests in Other Entities

The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of IFRS 12 does not have any impact on the Group.

(iii) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures* (see Note 34).

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

(iv) Presentation of items of other comprehensive income

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

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

(v) Financial instruments: Disclosures – Offsetting financial assets and financial liabilities

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

The Group included new disclosures in the consolidated financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures (see Note 28 (c)).

2 Basis of preparation, continued

(f) Comparative information

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

Prior year reclassification

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

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

KZT'000	As previously reported	Effect of reclassifications	As reclassified
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012			
Interest income on loans to customers	21,454,153	(21,454,153)	-
Interest income on investment securities available-for-sale	1,854,195	(1,854,195)	-
Interest income on cash and cash equivalents and amounts due from credit institutions	156,529	(156,529)	-
Interest income on accounts receivable	132,368	(132,368)	-
Interest income on trading securities	60,933	(60,933)	-
Interest income	-	23,658,178	23,658,178
Interest expense on amounts due to the Government of the Republic of Kazakhstan	(626,259)	626,259	-
Interest expense on amounts due to customers	(7,891,111)	7,891,111	-
Interest expense on amounts due to credit institutions	(177,559)	177,559	-
Interest expense on debt securities issued	(2,677,653)	2,677,653	-
Interest expense	-	(11,372,582)	(11,372,582)
Net fee and commission income	3,199,057	(3,199,057)	-
Fee and commission income	-	2,626,686	2,626,686
Fee and commission expense	-	(200,979)	(200,979)
Net gains from foreign currencies:			
- Dealing	505,990	(505,990)	-
- translation differences	727,709	(727,709)	-
Net foreign exchange gain	-	1,233,699	1,233,699
Net income from insurance operations	170,067	5,888	175,955
Other income	652,494	(5,888)	646,606
Allowance for loan impairment	(20,832,108)	20,832,108	-
Other impairment and provisions	(380,429)	380,429	-
Impairment losses and provision expenses	-	(21,300,085)	(21,300,085)
Personnel expenses	(4,699,038)	705,145	(3,993,893)
Other operating expenses	(3,149,894)	3,149,894	-
Depreciation and amortisation	(602,530)	602,530	-
Taxes other than income tax	(267,842)	267,842	-
Other general administrative expenses	-	(3,783,131)	(3,783,131)
Income tax expense	(690,250)	28,643	(661,607)
Loss for the year from discontinued operations (net of income tax)	-	(110,025)	(110,025)

2 Basis of preparation, continued

(f) Comparative information, continued

Prior year reclassification, continued

KZT'000	As previously reported	Effect of reclassifications	As reclassified
Consolidated statement of financial position as at 31 December 2012			
Debt securities issued	21,795,297	(6,990,612)	14,804,685
Subordinated debt	-	6,990,612	6,990,612
Provisions	1,397,012	(1,397,012)	-
Other liabilities	1,726,034	1,397,012	3,123,046

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

3 Significant accounting policies

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

(a) Basis of consolidation

(i) *Subsidiaries*

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

(ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Bank.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

3 Significant accounting policies, continued

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

(e) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,

- upon initial recognition, designated as at fair value through profit or loss.

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

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

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

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Group upon initial recognition designates as at fair value through profit or loss

- the Group designates as available-for-sale or,

- meet the definition of loans and receivables.

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

(ii) Recognition

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

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

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

- loans and receivables which are measured at amortised cost using the effective interest method

- held-to-maturity investments that are measured at amortised cost using the effective interest method

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iii) Measurement, continued

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

(iv) Amortised cost

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

(v) Financial assets or liabilities originated at interest rates different from market rates

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

(vi) Fair value measurement principles

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

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

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

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(vi) Fair value measurement principles, continued

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

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

(vii) Gains and losses on subsequent measurement

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

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

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

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

(viii) Derecognition

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

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

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

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

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

The Group writes off assets deemed to be uncollectible.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(ix) Repurchase and reverse repurchase agreements

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

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

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

(x) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(xi) Offsetting

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

(f) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

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

3 Significant accounting policies, continued

(f) Property and equipment, continued

(ii) Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on the land and building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on the land and building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iii) Depreciation

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

- buildings	40 years
- motor vehicles	7 years
- computer and banking equipment	4 to 10 years
- leasehold improvements	5 years
- other	5 to 15 years.

(g) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 6 to 7 years.

(h) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(i) Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3 Significant accounting policies, continued

(i) Impairment, continued

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

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

(i) Financial assets carried at amortised cost

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

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

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

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

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

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

3 Significant accounting policies, continued

(i) Impairment, continued

(ii) Financial assets carried at cost

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

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

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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

(iv) Non financial assets

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

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(j) Provisions

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

3 Significant accounting policies, continued

(k) Credit related commitments

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

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

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

Loan commitments are not recognised, except for the following:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss

- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments

- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument.

- commitments to provide a loan at a below-market interest rate.

(l) Share capital

(i) Ordinary shares

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

(ii) Preference share capital

Preference share capital that is non-redeemable and carries no mandatory dividends is classified as equity.

The component of the preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. The corresponding cumulative dividends on those shares are charged as interest expense in the statement of comprehensive income. On issuance of the preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on redemption.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

3 Significant accounting policies, continued

(l) Share capital, continued

(iv) Dividends

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

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

(m) Taxation

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

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

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

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

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

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

(n) Income and expense recognition

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

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

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

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

3 Significant accounting policies, continued

(o) Segment reporting

The Group's operations are integrated and constitute four operating business segments for the purposes of IFRS 8 *Operating Segments*: banking, finance leasing, insurance and brokerage subsidiary. The finance leasing, insurance and brokerage segments are not reported separately in these consolidated interim financial statements as they do not exceed the quantitative threshold set out in *IFRS 8 Operating Segments*. Assets are concentrated primarily in the Republic of Kazakhstan, and the majority of revenues and net loss/income are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Bank, the Chairman of the Management Board, only receives and reviews the information on the Group as a whole.

(p) Insurance contracts

(i) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as financial instruments.

(ii) Recognition and measurement of contracts

Premiums

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

3 Significant accounting policies, continued

(p) Insurance contracts, continued

(ii) Recognition and measurement of contracts, continued

Claims, continued

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the consolidated financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(q) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of profit and loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(r) New standards and interpretations not yet adopted

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

- *IFRS 9 Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase was issued in November 2013 and relates to general hedge accounting. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

3 Significant accounting policies, continued

(r) New standards and interpretations not yet adopted, continued

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2013 KZT'000	2012 KZT'000
Interest income		
Loans to customers	20,387,327	21,454,153
Available-for-sale financial assets	1,858,844	1,854,195
Cash and cash equivalents	351,331	59,741
Financial instruments at fair value through profit or loss	84,777	60,933
Deposits and balances with banks and other financial institutions	81,219	96,788
Other assets	771,691	132,368
	23,535,189	**23,658,178**
Interest expense		
Current accounts and deposits from customers	(7,531,933)	(7,891,111)
Debt securities issued	(2,814,522)	(2,004,838)
Subordinated debt	(680,647)	(672,815)
Loans from the Government of the Republic of Kazakhstan	(559,946)	(626,259)
Deposits and balances from banks and other financial institutions	(64,714)	(177,559)
	(11,651,762)	**(11,372,582)**
	11,883,427	**12,285,596**

Included within various line items under interest income for the year ended 31 December 2013 is a total of KZT 6,565,107 thousand (2012: KZT 6,532,903 thousand) accrued on individually impaired financial assets.

Included in interest income on financial instruments at fair value through profit or loss for the year ended 31 December 2013 is a total of KZT 84,777 thousand (2012: KZT 60,933 thousand) recognised on financial assets held for trading.

5 Fee and commission income

	2013 KZT'000	2012 KZT'000
Cash withdrawal fees	970,330	933,936
Transfer operations	829,149	708,923
Guarantee and letter of credit issuance fees	469,167	293,971
Bank cards fees	383,863	354,944
Foreign exchange fees	197,141	169,951
Agents' services fees	38,903	49,647
Cash collection fees	34,417	27,586
Other	58,895	87,728
	2,981,865	**2,626,686**

6 Fee and commission expense

	2013 KZT'000	2012 KZT'000
Transfer operations	123,085	111,058
Bank cards fees	66,274	60,950
Operations with securities	5,486	12,649
Guarantee and letter of credit issuance	4,289	4,311
Other	19,406	12,011
	218,540	**200,979**

7 Net foreign exchange gain

	2013 KZT'000	2012 KZT'000
Dealing, net	268,336	505,990
Translation differences, net	439,219	727,709
	707,555	**1,233,699**

8 Net income from insurance operations

	2013 KZT'000	2012 KZT'000
Premiums		
Gross premiums written	526,264	612,498
Change in the gross provision for unearned premiums	(45,055)	(43,101)
Gross earned premiums	**481,209**	**569,397**
Written premiums ceded to reinsurers	(6,341)	(100,804)
Reinsurers' share of change in the gross provision for unearned premiums	(21,837)	(9,087)
Reinsurers' share of premiums earned on insurance contracts	**(28,178)**	**(109,891)**
Net earned premiums	**453,031**	**459,506**
Claims incurred		
Claims incurred	(188,553)	(373,474)
Reinsurers' share of claims incurred	17,135	3,893
Reimbursement from reinsurance	49,822	95,295
Insurance acquisition costs	(47,568)	(101,447)
Change in liabilities for insurance contracts	21,351	92,182
Net insurance claims and compensations	**(147,813)**	**(283,551)**
Net income from insurance operations	**305,218**	**175,955**

9 Impairment losses and provision expenses

	2013 KZT'000	2012 KZT'000
Loans to customers (Note 17)	37,641,909	20,832,108
Other assets (Note 19)	2,366,911	111,731
Guarantees and letters of credit issued (Note 25)	986,247	356,246
	40,995,067	**21,300,085**

10 Personnel expenses

	2013 KZT'000	2012 KZT'000
Salaries and other payments	3,973,640	3,639,799
Social contribution costs	389,096	354,094
	4,362,736	**3,993,893**

11 Other general administrative expenses

	2013 KZT'000	2012 KZT'000
Operating lease expense	897,891	877,505
Advertising and marketing	655,256	139,660
Depreciation and amortisation	568,110	602,530
Deposit insurance	423,543	425,031
Taxes other than on income	368,562	267,842
Communications and information services	296,104	310,213
Insurance	255,749	111,084
Professional services	180,805	140,525
Security	150,463	181,978
Repairs and maintenance	131,717	91,458
Business trips	84,032	76,518
Utilities	81,342	83,074
Transportation	77,749	64,482
Cash delivery services	57,037	49,254
Stationery and office supplies	51,613	24,533
Social and corporate events	46,705	51,287
Charity expenses	22,214	22,632
Postal service expenses	16,498	15,058
Other	186,488	248,467
	4,551,878	**3,783,131**

12 Income tax benefit (expense)

	2013 KZT'000	2012 KZT'000
Current year tax benefit	12,400	2,683
Current tax overprovided in prior periods	52,362	-
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	682,890	(664,290)
Total income tax benefit (expense)	**747,652**	**(661,607)**

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

12 Income tax benefit (expense), continued

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

	2013 KZT'000	%	2012 KZT'000	%
(Loss) profit before income tax from continuing operations	**(34,093,231)**		**2,725,881**	
Income tax at the applicable tax rate	6,818,646	(20.0)	(545,176)	(20.0)
Income from sale of loans	-	-	(2,847,655)	(104.5)
Non-taxable income (non-deductible expenses)	221,255	(0.7)	(218,760)	(8.0)
Change in unrecognised deferred tax assets	(1,664,973)	4.9	2,949,984	108.2
Reduction of previously unrecognised deferred tax asset	(4,627,276)	13.6	-	-
	747,652	**(2.2)**	**(661,607)**	**(24.3)**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2013 and 2012. These deferred tax assets are partially recognised in these consolidated financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods. These future tax benefits are partially recognised due to uncertainties concerning their realisation.

The deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2020-2021.

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

KZT'000	Balance 1 January 2013	Recognised in profit or loss – continuing operations	Recognised in profit or loss – discontinued operations	Balance 31 December 2013
Property, equipment and intangible assets	(137,482)	15,931	-	(121,551)
Loans to customers	(6,938,831)	8,493,711	-	1,554,880
Other assets	-	374,548	-	374,548
Interest payable	-	351,319	-	351,319
Other liabilities	35,507	86,645	(42,738)	79,414
Tax losses carried forward	17,003,763	(6,974,291)	-	10,029,472
	9,962,957	**2,347,863**	**(42,738)**	**12,268,082**
Unrecognised deferred tax asset	(6,986,838)	(1,664,973)	-	(8,651,811)
	2,976,119	**682,890**	**(42,738)**	**3,616,271**

12 Income tax benefit (expense), continued

KZT'000	Balance 1 January 2012	Recognised in profit or loss – continuing operations	Recognised in profit or loss – discontinued operations	Recognised in equity	Balance 31 December 2012
Property, equipment and intangible assets	(257,548)	118,232	-	1,834	(137,482)
Loans to customers	(3,735,352)	(3,203,479)	-	-	(6,938,831)
Other liabilities	4,288	45,272	(14,053)	-	35,507
Tax losses carried forward	17,578,062	(574,299)	-	-	17,003,763
	13,589,450	**(3,614,274)**	**(14,053)**	**1,834**	**9,962,957**
Unrecognised deferred tax asset	(9,936,822)	2,949,984	-	-	(6,986,838)
	3,652,628	**(664,290)**	**(14,053)**	**1,834**	**2,976,119**

Unrecognised deferred tax asset

As at 31 December 2013 a deferred tax asset of KZT 8,651,811 thousand (31 December 2012: KZT 6,986,838 thousand) relating to tax loss carry-forwards was not recognised due to uncertainties concerning its realisation. During 2013 the Group reduced previously unrecognised deferred tax asset on tax losses carried forward by KZT 4,627,276 thousand based on additional tax returns submitted for prior years.

13 Cash and cash equivalents

	2013 KZT'000	2012 KZT'000
Cash on hand	**8,432,228**	**8,234,705**
Nostro accounts with the NBRK	**4,361,245**	**4,589,153**
Nostro accounts with other banks		
rated AA- to AA+	3,809,677	1,271,566
rated A- to A+	518,410	1,097,527
rated BBB+	17,917	214,341
rated from BB- to BB+	39,011	139,761
rated from B- to B+	947,579	268,955
not rated	19,597	30,728
Total nostro accounts with other banks	**5,352,191**	**3,022,878**
Cash equivalents		
Term deposits with other banks		
rated from BB- to BB+	1,710,617	-
rated from B- to B+	245,000	200,956
Total term deposits with other banks	**1,955,617**	**200,956**
Reverse repurchase agreements	**9,369,866**	**7,455,236**
Total cash equivalents	**11,325,483**	**7,656,192**
Total cash and cash equivalents	**29,471,147**	**23,502,928**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

No cash and cash equivalents are impaired or past due.

In December 2013 the Group concluded reverse repurchase agreements on the "automatic repo" market on the Kazakhstan Stock Exchange in the amount of KZT 9,369,866 thousand maturing in January 2014.

13 Cash and cash equivalents, continued

Collateral

As at 31 December 2013 and 2012 amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2013 KZT'000	2012 KZT'000
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	9,988,331	8,019,172
Bonds of KazTransOil JSC	2,858	-
Bonds of Kazakh Mortgage Company JSC	-	304,927
	9,991,189	**8,324,099**

As at 31 December 2013 the Group has 1 bank (2012: nil), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2013 is KZT 4,361,245 thousand.

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the two week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as the Bank's certain other liabilities. As at 31 December 2013 the minimum reserve is KZT 2,737,638 thousand (31 December 2012: KZT 2,819,131 thousand).

14 Financial instruments at fair value through profit or loss

	2013 KZT'000	2012 KZT'000
Debt instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,154,863	1,906,494
Russian Government eurobonds	49,320	55,117
Total government bonds	**1,204,183**	**1,961,611**
Corporate bonds		
rated CCC+	-	33,945
Total corporate bonds	**-**	**33,945**
Equity investments		
Corporate shares	7,372	-
Global depositary receipts on shares	88	450
Total equity investments	**7,460**	**450**
	1,211,643	**1,996,006**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

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

15 Available-for-sale financial assets

	2013 KZT'000	2012 KZT'000
Debt instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	24,160,175	25,848,351
Government bonds of other countries (rated A to AAA)	1,150,982	294,250
Russian Government eurobonds	315,508	-
Total government bonds	**25,626,665**	**26,142,601**
Bonds of corporations and financial institutions		
rated AAA	488,048	-
rated AA- to AA+	1,009,793	1,320,516
rated A- to A+	1,682,333	1,070,516
rated from BBB- to BBB+	5,889,921	1,475,189
rated from BB- to BB+	3,009,397	3,435,053
rated from B- to B+	815,635	744,605
rated below B-	129,642	58,081
Total bonds of corporations and financial institutions	**13,024,769**	**8,103,960**
Equity investments		
Corporate shares	8,428	74,992
Total equity investments	**8,428**	**74,992**
	38,659,862	**34,321,553**

16 Deposits and balances with banks and other financial institutions

	2013 KZT'000	2012 KZT'000
Deposits and balances with banks and other financial institutions		
rated A- to A+	278,849	289,992
rated from BB- to BB+	723,257	518,826
rated from B- to B+	1,341,953	650,528
Total deposits and balances with banks and other financial institutions	**2,344,059**	**1,459,346**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

No deposits and balances with banks and other financial institutions are impaired or past due.

As at 31 December 2013 the Group has no banks and other financial institutions (2012: nil), whose balances exceed 10% of equity.

17 Loans to customers

	2013 KZT'000	2012 KZT'000
Loans to corporate customers		
Loans to large corporates	133,638,647	141,024,762
Loans to small and medium size companies	59,333,521	60,234,333
Total loans to corporate customers	**192,972,168**	**201,259,095**
Loans to retail customers		
Consumer loans	32,403,886	24,284,428
Mortgage loans	9,154,032	8,964,940
Credit cards	361,092	472,022
Total loans to retail customers	**41,919,010**	**33,721,390**
Gross loans to customers	**234,891,178**	**234,980,485**
Impairment allowance	(83,158,262)	(62,396,969)
Net loans to customers	**151,732,916**	**172,583,516**

During 2012 the Group, with support of shareholders, transferred the rights of claim on some impaired loans to collector companies J.A. Collection Company LLC and Alatau Collection Company LLC in exchange for cash in the amount of KZT 36,661,298 thousand and liability to pay by instalments the additional amount, the net present value of which on the date of sale was KZT 9,463,306 thousand. The total gross value of sold loans was KZT 54,333,449 thousand. Loan impairment allowance on these loans on the sale date was KZT 22,447,120 thousand. Income from sale of loans in the amount of KZT 14,238,275 thousand was recognised in profit or loss.

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	57,993,771	4,403,198	62,396,969
Net charge	32,462,269	5,179,640	37,641,909
Write-offs	(17,419,897)	-	(17,419,897)
Effect of foreign currency translation	511,625	27,656	539,281
Balance at the end of the year	**73,547,768**	**9,610,494**	**83,158,262**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	72,034,404	2,639,738	74,674,142
Net charge	19,015,757	1,816,351	20,832,108
Write-offs	(10,609,270)	(52,891)	(10,662,161)
Sale of loans	(22,447,120)	-	(22,447,120)
Balance at the end of the year	**57,993,771**	**4,403,198**	**62,396,969**

17 Loans to customers, continued

(a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans corporate customers				
Loans to large corporates				
Loans which are not individually impaired				
Standard not overdue	48,958,946	(6,325,240)	42,633,706	12.92
Overdue loans:				
- overdue less than 90 days	3,043,267	(364,350)	2,678,917	11.97
- overdue more than 1 year	3,713,134	(458,699)	3,254,435	12.35
Total loans which are not individually impaired	**55,715,347**	**(7,148,289)**	**48,567,058**	**12.83**
Impaired or overdue loans:				
- not overdue	40,808,872	(27,383,189)	13,425,683	67.10
- overdue less than 90 days	4,430,687	(2,699,824)	1,730,863	60.93
- overdue more than 90 days and less than 1 year	5,980,270	(4,615,205)	1,365,065	77.17
- overdue more than 1 year	26,703,471	(13,603,961)	13,099,510	50.94
Total impaired or overdue loans	**77,923,300**	**(48,302,179)**	**29,621,121**	**61.99**
Total loans to large corporates	**133,638,647**	**(55,450,468)**	**78,188,179**	**41.49**
Loans to small and medium size companies				
Loans which are not individually impaired				
Standard not overdue	20,404,404	(2,064,438)	18,339,966	10.12
Overdue loans:				
- overdue less than 90 days	1,833,353	(219,495)	1,613,858	11.97
- overdue more than 90 days and less than 1 year	1,286,483	(149,844)	1,136,639	11.65
- overdue more than 1 year	6,971,410	(790,391)	6,181,019	11.34
Total loans which are not individually impaired	**30,495,650**	**(3,224,168)**	**27,271,482**	**10.57**
Impaired or overdue loans:				
- not overdue	11,036,557	(5,154,208)	5,882,349	46.70
- overdue less than 90 days	231,692	(213,218)	18,474	92.03
- overdue more than 90 days and less than 1 year	2,747,296	(1,444,987)	1,302,309	52.60
- overdue more than 1 year	14,822,326	(8,060,719)	6,761,607	54.38
Total impaired or overdue loans	**28,837,871**	**(14,873,132)**	**13,964,739**	**51.58**
Total loans to small and medium size companies	**59,333,521**	**(18,097,300)**	**41,236,221**	**30.50**
Total loans to corporate customers	**192,972,168**	**(73,547,768)**	**119,424,400**	**38.11**

17 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Consumer loans				
- not overdue	17,304,850	(250,792)	17,054,058	1.45
- overdue less than 30 days	1,083,705	(346,138)	737,567	31.94
- overdue 30-89 days	919,083	(670,733)	248,350	72.98
- overdue 90-179 days	605,087	(514,791)	90,296	85.08
- overdue more than 180 days	12,491,161	(6,705,146)	5,786,015	53.68
Total consumer loans	**32,403,886**	**(8,487,600)**	**23,916,286**	**26.19**
Mortgage loans				
- not overdue	6,561,322	-	6,561,322	-
- overdue less than 30 days	169,187	-	169,187	-
- overdue 30-89 days	147,064	-	147,064	-
- overdue 90-179 days	43,561	-	43,561	-
- overdue more than 180 days	2,232,898	(974,555)	1,258,343	43.65
Total mortgage loans	**9,154,032**	**(974,555)**	**8,179,477**	**10.65**
Credit cards				
- not overdue	183,162	-	183,162	-
- overdue 30-89 days	28,904	-	28,904	-
- overdue 90-179 days	687	-	687	-
- overdue more than 180 days	148,339	(148,339)	-	100.00
Total credit cards	**361,092**	**(148,339)**	**212,753**	**41.08**
Total loans to retail customers	**41,919,010**	**(9,610,494)**	**32,308,516**	**22.93**
Total loans to customers	**234,891,178**	**(83,158,262)**	**151,732,916**	**35.40**

17 Loans to customers, continued

(a) Credit quality of loans to customers, continued

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans corporate customers				
Loans to large corporates				
Loans which are not individually impaired				
Standard not overdue	59,640,158	(6,597,055)	53,043,103	11.06
Overdue loans:				
- overdue less than 90 days	2,239,189	(247,686)	1,991,503	11.06
- overdue more than 90 days and less than 1 year	4,362,881	(482,597)	3,880,284	11.06
Total loans which are not individually impaired	**66,242,228**	**(7,327,338)**	**58,914,890**	**11.06**
Impaired or overdue loans:				
- not overdue	19,947,355	(10,965,079)	8,982,276	54.97
- overdue less than 90 days	28,673,588	(14,072,385)	14,601,203	49.08
- overdue more than 90 days and less than 1 year	2,956,058	(1,462,213)	1,493,845	49.46
- overdue more than 1 year	23,205,533	(11,325,578)	11,879,955	48.81
Total impaired or overdue loans	**74,782,534**	**(37,825,255)**	**36,957,279**	**50.58**
Total loans to large corporates	**141,024,762**	**(45,152,593)**	**95,872,169**	**32.02**

17 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to small and medium size companies				
Loans which are not individually impaired				
Standard not overdue	23,713,745	(2,507,844)	21,205,901	10.58
Overdue loans:				
- overdue less than 90 days	1,550,629	(171,522)	1,379,107	11.06
- overdue more than 90 days and less than 1 year	2,800,318	(309,755)	2,490,563	11.06
- overdue more than 1 year	2,335,487	(258,335)	2,077,152	11.06
Total loans which are not individually impaired	**30,400,179**	**(3,247,456)**	**27,152,723**	**10.68**
Impaired or overdue loans:				
- not overdue	9,587,901	(2,246,567)	7,341,334	23.43
- overdue less than 90 days	104,764	(56,785)	47,979	54.20
- overdue more than 90 days and less than 1 year	4,587,798	(1,086,765)	3,501,033	23.69
- overdue more than 1 year	15,553,691	(6,203,605)	9,350,086	39.89
Total impaired or overdue loans	**29,834,154**	**(9,593,722)**	**20,240,432**	**32.16**
Total loans to small and medium size companies	**60,234,333**	**(12,841,178)**	**47,393,155**	**21.32**
Total loans to corporate customers	**201,259,095**	**(57,993,771)**	**143,265,324**	**28.82**

17 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Consumer loans				
- not overdue	10,570,598	(514,364)	10,056,234	4.87
- overdue less than 30 days	479,228	(22,524)	456,704	4.70
- overdue 30-89 days	144,498	(9,989)	134,509	6.91
- overdue 90-179 days	176,403	(8,291)	168,112	4.70
- overdue more than 180 days	12,913,701	(3,326,881)	9,586,820	25.76
Total consumer loans	**24,284,428**	**(3,882,049)**	**20,402,379**	**15.99**
Mortgage loans				
- not overdue	6,920,990	-	6,920,990	-
- overdue less than 30 days	193,513	-	193,513	-
- overdue 30-89 days	49,487	-	49,487	-
- overdue 90-179 days	161,910	-	161,910	-
- overdue more than 180 days	1,639,040	(498,873)	1,140,167	30.44
Total mortgage loans	**8,964,940**	**(498,873)**	**8,466,067**	**5.56**
Credit cards				
- not overdue	295,599	-	295,599	-
- overdue 30-89 days	32,362	-	32,362	-
- overdue 90-179 days	1,418	-	1,418	-
- overdue more than 180 days	142,643	(22,276)	120,367	15.62
Total credit cards	**472,022**	**(22,276)**	**449,746**	**4.72**
Total loans to retail customers	**33,721,390**	**(4,403,198)**	**29,318,192**	**13.06**
Total loans to customers	**234,980,485**	**(62,396,969)**	**172,583,516**	**26.55**

Factors leading to changes in judgments and estimates

During the year ended 31 December 2013 the Group experienced a deterioration in the credit quality of the loan portfolio, including individually impaired corporate loans and loans to individuals, caused by the slower than expected recovery of real estate markets and a growing number of corporate defaults. In addition to impairment losses caused by increase of non-performing loans the Group recognised additional impairment losses as a result of the revision of certain key assumptions relating to impairment estimates.

The revised assumptions were applied both on a loan by loan and portfolio basis and the revisions to assumptions arose due to the following conditions:

- the Group revised its assumptions of recoverability of certain individually assessed loans through changing its approach from expectation of cash flows from operating activities of those borrowers to collateral realisation approach as identified that these loans would not be recovered from operating activities
- demand on real estate markets at current price levels appeared to be more limited than previously expected with substantial negotiation discounts required to accelerate disposals
- costs of foreclosure were steadily increasing during 2013 with majority of cases requiring extra enforcement charge and with mixed courts success.

17 Loans to customers, continued

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans which are not individually impaired.

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

- historic annual loss rate of 10.12-12.92% based on past 5 year loss statistics
- a discount of between 30% and 70% to the originally appraised value if the property pledged is sold
- a delay of 6 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2013 would be KZT 1,194,244 thousand lower/higher (2012: KZT 1,432,653 thousand lower/higher).

(ii) Loans to retail customers

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

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months
- a discount of between 40% and 70% to the annually appraised value if the property pledged is sold
- a delay of twenty four months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2013 would be KZT 969,255 thousand lower/higher (2012: KZT 879,546 thousand).

17 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Group generally requests corporate borrowers to provide it.

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

31 December 2013 KZT'000	**Loans to customers, carrying amount**	**Fair value of collateral - for collateral assessed as of reporting date**	**Fair value of collateral – for collateral assessed as of loan inception date**	**Fair value of collateral not determined**
Loans which are not individually impaired				
Real estate	40,303,700	9,031,115	31,272,585	-
Corporate guarantees (unrated)	11,193,130	-	-	11,193,130
Share in capital	6,287,465	-	6,287,465	-
Goods in turnover	3,734,357	-	3,734,357	-
Equipment	3,502,627	888,200	2,614,427	-
Cash and deposits	1,168,333	1,168,333	-	-
Motor vehicles	868,519	-	868,519	-
Other	5,229	-	5,229	-
No collateral or other credit enhancement	8,775,180	-	-	8,775,180
Total loans which are not individually impaired	**75,838,540**	**11,087,648**	**44,782,582**	**19,968,310**
Overdue or impaired loans				
Real estate	29,619,027	23,319,587	6,299,440	-
Rights of claim under future construction partnership agreements	9,066,593	-	-	9,066,593
Equipment	1,071,137	880,001	191,136	-
Cash and deposits	891,752	891,752	-	-
Motor vehicles	45,040	42,373	2,667	-
Corporate guarantees (unrated)	26,786	-	-	26,786
No collateral or other credit enhancement	2,865,525	-	-	2,865,525
Total overdue or impaired loans	**43,585,860**	**25,133,713**	**6,493,243**	**11,958,904**
Total loans to corporate customers	**119,424,400**	**36,221,361**	**51,275,825**	**31,927,214**

17 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(i) Loans to corporate customers, continued

31 December 2012 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Fair value of collateral not determined
Loans which are not individually impaired				
Real estate	48,899,326	8,796,527	40,102,799	-
Corporate guarantees (unrated)	13,333,763	-	-	13,333,763
Share in capital	6,151,991	-	6,151,991	-
Equipment	4,571,533	635,486	3,936,047	-
Motor vehicles	1,903,139	690,037	1,213,102	-
Cash and deposits	1,144,742	1,144,742	-	-
Goods in turnover	82,111	-	82,111	-
Other collateral	7,121	-	7,121	-
No collateral or other credit enhancement	9,973,887	-	-	9,973,887
Total loans which are not individually impaired	**86,067,613**	**11,266,792**	**51,493,171**	**23,307,650**
Overdue or impaired loans				
Real estate	26,441,632	23,897,792	2,543,840	-
Rights of claim under future construction partnership agreements	7,000,764	-	-	7,000,764
Equipment	1,061,220	1,061,220	-	-
Cash and deposits	891,601	891,601	-	-
Corporate guarantees (unrated)	315,337	-	-	315,337
Motor vehicles	241,509	241,509	-	-
No collateral or other credit enhancement	21,245,648	-	-	21,245,648
Total overdue or impaired loans	**57,197,711**	**26,092,122**	**2,543,840**	**28,561,749**
Total loans to corporate customers	**143,265,324**	**37,358,914**	**54,037,011**	**51,869,399**

The tables above excludes overcollateralisation.

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

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

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

17 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(i) Loans to corporate customers, continued

Collateral obtained

During the year ended 31 December 2013, the Group obtained certain assets by taking possession of collateral for loans to corporate customers with a net carrying amount of KZT 1,615,793 thousand (2012: KZT 1,967,222 thousand). As at 31 December 2013, the carrying value of the repossessed collateral is KZT 4,741,462 thousand (2012: KZT 3,517,041 thousand) (Note 19).

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80%. Consumer loans are generally secured by properties and in certain cases by assets including vehicles, cash deposits and guarantees. Credit card overdrafts are mostly not secured.

Management estimates that the impairment allowance would have been higher by KZT 1,383,445 thousand for mortgage loans, by KZT 5,915,825 thousand for consumer loans if collateral was not taken into account.

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Kazakhstan who operate in the following economic sectors:

	2013 KZT'000	2012 KZT'000
Loans to corporate customers		
Rental properties	32,489,835	31,278,047
Construction	22,469,420	18,484,905
Real estate	19,771,673	21,831,316
Wholesale trade	17,663,243	32,589,924
Food industry	14,456,724	14,818,736
Agriculture	11,585,199	13,211,916
Manufacturing	10,477,402	11,335,981
Oil and gas	10,407,247	7,779,108
Publishing	10,245,606	10,233,706
Mining	8,841,598	4,817,626
Retail trade	8,518,969	8,507,411
Hotels and restaurants	5,825,543	5,639,573
Transportation	2,082,334	2,146,744
Entertainment	1,853,008	2,707,867
Telecommunication	1,791,105	1,795,188
Pharmaceutics	1,385,620	1,501,044
Financial intermediary	1,298,704	1,258,357
Other	11,808,938	11,321,646
Loans to retail customers		
Consumer loans	32,403,886	24,284,428
Mortgage loans	9,154,032	8,964,940
Credit cards	361,092	472,022
	234,891,178	**234,980,485**
Impairment allowance	(83,158,262)	(62,396,969)
	151,732,916	**172,583,516**

17 Loans to customers, continued

(e) Significant credit exposures

As at 31 December 2013 the Group has twelve borrowers or groups of connected borrowers (2012: three), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2013 is KZT 86,489,641 thousand (2012: KZT 31,245,684 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 28(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

18 Property and equipment

KZT'000	Land and buildings	Motor vehicles	Computer and banking equipment	Leasehold improvements	Other	Total
Cost/revalued amount						
Balance at 1 January 2013	2,786,815	271,646	1,408,073	63,803	2,294,737	6,825,074
Additions	6,276	13,194	178,780	-	95,374	293,624
Disposals	-	(26,069)	(51,457)	-	(26,726)	(104,252)
Internal movements	-	1,480	-	-	(1,480)	-
Balance at 31 December 2013	**2,793,091**	**260,251**	**1,535,396**	**63,803**	**2,361,905**	**7,014,446**
Depreciation						
Balance at 1 January 2013	52,427	153,380	1,127,607	61,411	1,371,548	2,766,373
Depreciation for the year	52,428	36,488	101,814	1,904	235,854	428,488
Disposals	-	(14,856)	(41,341)	-	(20,677)	(76,874)
Internal movements	-	816	-	-	(816)	-
Balance at 31 December 2013	**104,855**	**175,828**	**1,188,080**	**63,315**	**1,585,909**	**3,117,987**
Carrying amount						
At 31 December 2013	**2,688,236**	**84,423**	**347,316**	**488**	**775,996**	**3,896,459**

18 Property and equipment, continued

KZT'000	Land and buildings	Motor vehicles	Computer and banking equipment	Leasehold improvements	Other	Total
Cost/revalued amount						
Balance at 1 January 2012	2,786,841	257,806	1,414,308	63,803	2,282,090	6,804,848
Additions	-	2,173	47,246	-	44,670	94,089
Disposals	(26)	(4,063)	(53,481)	-	(16,293)	(73,863)
Internal movements	-	15,730	-	-	(15,730)	-
Balance at 31 December 2012	**2,786,815**	**271,646**	**1,408,073**	**63,803**	**2,294,737**	**6,825,074**
Depreciation						
Balance at 1 January 2012	-	113,567	1,056,827	59,168	1,139,275	2,368,837
Depreciation for the year	52,427	38,274	122,318	2,243	251,430	466,692
Disposals	-	(3,447)	(51,538)	-	(14,171)	(69,156)
Internal movements	-	4,986	-	-	(4,986)	-
Balance at 31 December 2012	**52,427**	**153,380**	**1,127,607**	**61,411**	**1,371,548**	**2,766,373**
Carrying amount						
At 31 December 2012	**2,734,388**	**118,266**	**280,466**	**2,392**	**923,189**	**4,058,701**

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during 2013 (2012: nil).

Revalued assets

At 31 December 2011 land and buildings were revalued based on the results of an independent appraisal performed by Valuation and Legal Company Business Partner LLC.

The basis used for the appraisal is the market approach.

The fair values of the Group's buildings are categorised into Level 2 of the fair value hierarchy.

The carrying value of land and buildings as at 31 December 2013, if the land and buildings would not have been revalued, would be KZT 1,717,356 thousand (31 December 2012: KZT 1,747,849 thousand).

At 31 December 2013 the management believes that the carrying values of land and buildings are not significantly different from their fair value.

19 Other assets

	2013 KZT'000	2012 KZT'000
Receivables from sale of loans	9,339,860	9,595,673
Other accounts receivable	589,502	234,882
Other investments	237,100	12,695
Accrued commission income	70,092	229,376
Insurance and reinsurance receivables	29,682	40,911
Discount on receivables from sale of loans	(1,341,656)	-
Total other financial assets	**8,924,580**	**10,113,537**
Foreclosed property	4,741,462	3,517,041
Intangible assets	339,393	447,696
Future period expenses	312,073	304,181
Prepayments	188,419	499,722
Taxes prepaid other than on income tax	168,691	387,706
Materials and supplies	109,348	121,388
Other	326,266	257,283
Impairment allowance	(540,864)	(389,737)
Total other non-financial assets	**5,644,788**	**5,145,280**
Total other assets	**14,569,368**	**15,258,817**

Receivables from sale of loans arose as a result of loans sale to collector companies in October-November 2012 (Note 17).

Foreclosed property comprises real estate collateral accepted by the Group in exchange for its rights and obligations under impaired loans. The Group has not yet determined of future use of this property, whether it is going to be sold or rented out.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2013 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	-	389,737	389,737
Net charge	2,113,347	253,564	2,366,911
Write-offs	-	(111,544)	(111,544)
Effect of unwinding of discount	(771,691)	-	(771,691)
Effect of foreign currency translation	-	9,107	9,107
Balance at the end of the year	**1,341,656**	**540,864**	**1,882,520**

During 2013, the Group recognised a loss in the amount of KZT 2,096,017 thousand on the receivables from collector agencies reflecting change in estimate of the expected timing of repayment prolonged to the contractual maturity of the receivables using an estimated interest rate of 11% per annum.

19 Other assets, continued

Analysis of movements in the impairment allowance, continued

Movements in the impairment allowance for the year ended 31 December 2012 are as follows:

	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	740,707	740,707
Net charge	111,731	111,731
Write-offs	(462,701)	(462,701)
Balance at the end of the year	**389,737**	**389,737**

As at 31 December 2013, included in other assets are overdue receivables of KZT 64,124 thousand (2012: KZT 291,861 thousand), of which KZT 17,524 thousand (2012: KZT 96,611 thousand) are overdue for more than 90 days but less than one year and KZT 4,399 thousand (2012: KZT 145,290 thousand) are overdue for more than one year.

20 Loans from the Government of the Republic of Kazakhstan

As at 31 December 2013 and 2012 the loans from the Government of the Republic of Kazakhstan comprised long-term loans granted from "Damu" Entrepreneurship Development Fund JSC that were received to finance small and medium enterprises. As at 31 December 2013 these loans bear interest rates ranging 5.5% - 8.5% per annum and mature between July 2015 and December 2019.

21 Loans and deposits from banks and other financial institutions

	2013 KZT'000	2012 KZT'000
Loans from other financial institutions	818,516	1,074,634
Vostro accounts	148,817	22,781
Loans from OECD based banks	80,731	151,778
Amounts payable under repurchase agreements	9,000	45,004
Deposits of non-OECD based banks	-	503,167
	1,057,064	**1,797,364**

Loans from other financial institutions represent liabilities towards Kazakh Mortgage Company JSC (KMC) on sold loans with a right on full recourse to the Group.

22 Current accounts and deposits from customers

	2013 KZT'000	2012 KZT'000
Current accounts and demand deposits		
- Corporate	44,811,426	46,551,498
- Retail	5,881,988	6,886,292
Term deposits		
- Corporate	50,983,087	54,459,903
- Retail	50,463,356	41,182,415
	152,139,857	**149,080,108**

22 Current accounts and deposits from customers, continued

As at 31 December 2013, the Group maintained customer deposit balances of KZT 5,238,407 thousand (2012: KZT 3,966,449 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2013, the Group has 4 customers (2012: 1 customer), whose balances exceed 10% of equity. These balances as at 31 December 2013 are KZT 24,625,146 thousand (2012: KZT 8,335,293 thousand).

23 Debt securities issued

	2013 KZT'000	2012 KZT'000
Nominal	35,801,100	14,970,911
Discount	(1,802,790)	(536,876)
Accrued interest	702,041	370,650
	34,700,351	**14,804,685**

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

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount 31 December 2013 KZT'000	Carrying amount 31 December 2012 KZT'000
KZT denominated bonds of the fourth issue *	26.07.2010	26.07.2016	7.0%	8.0%	15,936,590	-
KZT denominated bonds of the fifth issue *	05.06.2013	05.06.2023	7.0%	8.5%	13,631,895	-
KZT denominated bonds of the third issue *	24.01.2008	24.01.2015	inflation +1%	7.0%	5,131,866	5,180,738
KZT denominated bonds of the fourth issue *	05.11.2008	05.11.2013	11%	18.35%	-	9,623,947
					34,700,351	**14,804,685**

* Quoted on KASE

24 Subordinated debt

	2013 KZT'000	2012 KZT'000
Liability component of preferred shares	2,268,859	2,268,859
Subordinated bonds	4,804,770	4,721,753
	7,073,629	**6,990,612**

As at 31 December 2013 and 31 December 2012 subordinated debt comprises quoted bonds and liability component of preferred shares. In case of bankruptcy, the repayment of the subordinated debt would be made after repayment in full of all other liabilities of the Group but before repayment of the preferred shares.

(a) Preference shares

Holders of preference shares receive a minimum cumulative dividend of 10% per annum on the par value of their shareholding. The preference shares do not carry the right to vote unless the dividend is in arrears. All shares rank equally with regard to the Group's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. All preference shares were issued and fully paid at their par value of KZT 1,000.

During the year ended 31 December 2013, the Group accrued dividends on preference shares amounting to KZT 225,695 thousand (31 December 2012: KZT 225,695 thousand).

24 Subordinated debt, continued

(b) Subordinated bonds

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

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount 31 December 2013 KZT'000	Carrying amount 31 December 2012 KZT'000
KZT denominated bonds of the second issue *	18.05.2006	18.05.2016	7.5%	9.7%	4,804,770	4,721,753
					4,804,770	**4,721,753**

* Quoted on KASE

25 Other liabilities

	2012 KZT'000	2011 KZT'000
Insurance liabilities	306,823	269,216
Accrued operating expenses	49,357	87,900
Payables on guarantees and letters of credit issued	24,356	-
Total other financial liabilities	**380,536**	**357,116**
Provision for guarantees and letters of credit issued	2,232,527	1,397,012
Prepayments on banking operations	1,702,654	580,938
Vacation reserve	400,877	415,565
Other taxes payable	108,644	184,335
Other non-financial liabilities	180,838	188,080
Total other non-financial liabilities	**4,625,540**	**2,765,930**
Total other liabilities	**5,006,076**	**3,123,046**

Movements in the provision for guarantees and letters of credit issued for the years ended 31 December 2013 and 2012 are as follows:

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	1,397,012	1,128,867
Net charge	986,247	356,246
Discontinued operations (Note 35)	(166,478)	(87,548)
Recoveries (write-offs)	863	(553)
Effect of foreign currency translation	14,883	-
Balance at the end of the year	**2,232,527**	**1,397,012**

26 Share capital and reserves

(a) Issued capital

As at 31 December 2013, the authorised share capital comprises 13,375,557 ordinary shares and 300,000 preference shares (31 December 2012: 13,375,557 ordinary shares and 300,000 preference shares). Issued and outstanding share capital comprises 10,526,728 ordinary shares and 225,876 preference shares (31 December 2012: 10,526,728 ordinary shares and 225,876 preference shares). The shares do not have a par value.

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

26 Share capital and reserves, continued

(b) Nature and purpose of reserves

Reserves for general banking and insurance risks

Until 2013, in accordance with Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the Committee on 28 August 2009, the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year was calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in classified assets and contingent liabilities (as defined in the Resolution #296 On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities issued by the Committee on 25 December 2006) during the preceding year. Such percentage increase should have been not less than 10% and not more than 100%.

As at 31 December 2013 and 2012 the Group has not allocated funds from retained earnings to this reserve.

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

In accordance with the Regulation of FMSC #61 dated 30 April 2010 On creating and maintaining insurance reserves effective 1 January 2011 the Subsidiary Company of Nurbank JSC Insurance Company Nurpolicy LLC, should establish a stabilisation reserve for insurance products that demonstrate loss rates exceeding its average loss rate for three preceding years.

Dynamic reserve

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

The non-distributable dynamic reserve requirement of the Group as at 31 December 2013 was KZT 4,380,918 thousand.

Revaluation surplus for land and buildings

The revaluation surplus for buildings comprises the cumulative positive fair value of buildings, until the assets are derecognised or impaired.

Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(c) Dividends

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

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. No dividends were declared for 2013 and 2012.

26 Share capital and reserves, continued

(d) Treasury shares

At 31 December 2013 the Group held 698 of its own ordinary shares and 181 preference shares (2012: 698 ordinary shares and 181 preference shares).

27 (Loss) earnings per ordinary share

Basic earnings per share

The calculation of earnings per share is based on the net profit for the year attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year calculated as follows.

	2013	2012
(Loss) profit for the year attributable to equity holders of the Bank, in thousand of KZT	(32,316,502)	1,951,817
Weighted average number of ordinary shares for basic (loss) earnings per share	10,526,030	10,526,030
Basic (loss) earnings per ordinary share, in KZT	**(3,070.15)**	**185.43**

There are no potentially dilutive shares for the year ended 31 December 2013 (2012: nil).

28 Risk management

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

(a) Risk management policies and procedures

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

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

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

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

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

28 Risk management, continued

(b) Market risk

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

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

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

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

28 Risk management, continued

(b) Market risk, continued

(i) *Interest rate risk, continued*

Interest rate gap analysis

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

KZT '000 31 December 2013	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
ASSETS							
Cash and cash equivalents	15,134,857	-	-	-	-	14,336,290	29,471,147
Financial instruments at fair value through profit or loss	46,570	-	4,022	48,203	1,105,388	7,460	1,211,643
Available-for-sale financial assets	4,426,104	1,430,672	127,013	16,276,290	16,391,355	8,428	38,659,862
Deposits and balances with banks and other financial institutions	681	1,341,271	-	717,306	-	284,801	2,344,059
Loans to customers	55,093,685	9,222,172	13,319,795	53,755,875	20,341,389	-	151,732,916
Other financial assets	177,199	-	-	57,207	-	8,690,174	8,924,580
	74,879,096	**11,994,115**	**13,450,830**	**70,854,881**	**37,838,132**	**23,327,153**	**232,344,207**
LIABILITIES							
Loans from the Government of the Republic of Kazakhstan	1,182,132	60,817	1,089,793	3,627,900	625,000	-	6,585,642
Deposits and balances from banks and other financial institutions	239,242	243	87,872	38,642	691,065	-	1,057,064
Current accounts and deposits from customers	38,575,617	14,248,792	34,845,888	19,466,026	1,890,743	43,112,791	152,139,857
Debt securities issued	5,605,752	72,917	-	15,462,704	13,558,978	-	34,700,351
Subordinated debt	-	43,663	-	4,761,107	2,268,859	-	7,073,629
Other financial liabilities	-	-	-	-	-	380,536	380,536
	45,602,743	**14,426,432**	**36,023,553**	**43,356,379**	**19,034,645**	**43,493,327**	**201,937,079**
	29,276,353	**(2,432,317)**	**(22,572,723)**	**27,498,502**	**18,803,487**	**(20,166,174)**	**30,407,128**

28 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT '000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2012							
ASSETS							
Cash and cash equivalents	9,173,489	-	-	-	-	14,329,439	23,502,928
Financial instruments at fair value through profit or loss	46,637	24,609	4,039	6	1,920,265	450	1,996,006
Available-for-sale financial assets	1,044,287	867,940	2,092,480	15,791,776	14,450,078	74,992	34,321,553
Deposits and balances with banks and other financial institutions	340,520	621,115	497,711	-	-	-	1,459,346
Loans to customers	75,555,959	6,552,522	11,890,105	42,202,114	36,382,816	-	172,583,516
Other financial assets	-	-	-	-	-	10,113,537	10,113,537
	86,160,892	**8,066,186**	**14,484,335**	**57,993,896**	**52,753,159**	**24,518,418**	**243,976,886**
LIABILITIES							
Loans from the Government of the Republic of Kazakhstan	1,173,039	60,817	1,089,793	5,841,028	625,000	-	8,789,677
Deposits and balances from banks and other financial institutions	164,536	320	502,522	208,112	921,874	-	1,797,364
Current accounts and deposits from customers	37,318,143	15,789,705	32,918,895	31,461,948	1,647,373	29,944,044	149,080,108
Debt securities issued	5,180,738	167,977	9,455,970	-	-	-	14,804,685
Subordinated debt	-	43,616	-	4,678,137	2,268,859	-	6,990,612
Other financial liabilities	-	-	-	-	-	357,116	357,116
	43,836,456	**16,062,435**	**43,967,180**	**42,189,225**	**5,463,106**	**30,301,160**	**181,819,562**
	42,324,436	**(7,996,249)**	**(29,482,845)**	**15,804,671**	**47,290,053**	**(5,782,742)**	**62,157,324**

28 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

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

	2013 Average effective interest rate, %			2012 Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	4.79	0.14	2.58	4.75	0.97	1.80
Financial instruments at fair value through profit or loss	4.40	-	7.00	4.50	5.50	7.85
Available-for-sale financial assets	4.76	4.59	2.81	5.11	6.41	4.21
Deposits and balances with banks and other financial institutions	6.77	-	-	6.10	-	-
Loans to customers	14.84	11.72	12.92	13.87	13.81	12.89
Interest bearing liabilities						
Loans from the Government of the Republic of Kazakhstan	7.87	-	-	7.84	-	-
Deposits and balances from banks and other financial institutions						
- Loans	11.09	-	1.87	10.86	-	1.98
- Vostro accounts	-	-	-	6.00	-	-
- Term deposits	-	-	-	7.84	-	-
Current accounts and deposits from customers						
- Current accounts and demand deposits	3.66	-	-	4.15	1.50	-
- Term deposits	6.99	7.11	6.84	6.47	6.67	7.09
Debt securities issued	8.08	-	-	14.70	-	-
Subordinated debt	9.72	-	-	9.72	-	-

Interest rate sensitivity analysis

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

	2013 KZT'000	2012 KZT'000
100 bp parallel fall	(140,518)	(182,730)
100 bp parallel rise	140,518	182,730

28 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis, continued

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

	2013		2012	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	1,763,643	1,704,135	1,579,300	1,309,649
100 bp parallel rise	(1,616,285)	(1,560,470)	(1,481,877)	(1,525,171)

(i) *Currency risk*

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

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

	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	5,359,286	382,725	527,486	6,269,497
Financial instruments at fair value through profit or loss	-	-	49,320	49,320
Available-for-sale financial assets	7,094,122	2,722,483	221,566	10,038,171
Deposits and balances with banks and other financial institutions	278,849	-	-	278,849
Loans to customers	20,627,460	1,033,955	-	21,661,415
Other financial assets	159,669	-	2	159,671
Total assets	**33,519,386**	**4,139,163**	**798,374**	**38,456,923**
LIABILITIES				
Deposits and balances from banks and other financial institutions	89,688	138,172	21	227,881
Current accounts and deposits from customers	36,817,455	3,040,219	800,104	40,657,778
Other financial liabilities	4,477	447	875	5,799
Total liabilities	**36,911,620**	**3,178,838**	**801,000**	**40,891,458**
Net position	**(3,392,234)**	**960,325**	**(2,626)**	**(2,434,535)**
The effect of derivatives held for risk management	6,143,590	(1,875,770)	(279,510)	3,988,310
Net position after derivatives held for risk management purposes	**2,751,356**	**(915,445)**	**(282,136)**	**1,553,775**

28 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

As at 31 December 2013 the Group has various foreign currency forward and swap exchange contracts with net notional positions summarised in the table above. The forward contracts to buy USD and sell KZT with a total notional amount of KZT 12,324,800 thousand were concluded with a related party on 31 December 2013, and have contractual maturity in October-November 2014 and weighted average contractual exchange rate of 162.71. The remaining forward and swap exchange contracts were concluded with the foreign banks and Kazakh stock exchange, and mature in January 2014.

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

	USD	EUR	Other currencies	Total
	KZT'000	KZT'000	KZT'000	KZT'000
ASSETS				
Cash and cash equivalents	1,852,023	1,211,924	535,507	3,599,454
Financial instruments at fair value through profit or loss	34,395	-	55,117	89,512
Available-for-sale financial assets	4,028,659	889,347	272,541	5,190,547
Deposits and balances with banks and other financial institutions	339,336	-	-	339,336
Loans to customers	24,527,910	1,148,177	-	25,676,087
Other financial assets	14,107	472	3,678	18,257
Total assets	**30,796,430**	**3,249,920**	**866,843**	**34,913,193**
LIABILITIES				
Deposits and balances from banks and other financial institutions	22,781	151,778	-	174,559
Current accounts and deposits from customers	29,462,338	2,709,086	1,023,123	33,194,547
Total liabilities	**29,485,119**	**2,860,864**	**1,023,123**	**33,369,106**
Net position	**1,311,311**	**389,056**	**(156,280)**	**1,544,087**
The effect of derivatives held for risk management	(3,845,690)	-	-	(3,845,690)
Net position after derivatives held for risk management purposes	**(2,534,379)**	**389,056**	**(156,280)**	**(2,301,603)**

As at 31 December 2012 the Group concluded swap exchange contracts with the foreign banks and Kazakh stock exchange which matured in January 2013.

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

28 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

	2013 KZT'000	2012 KZT'000
20% appreciation of USD against KZT	440,217	(405,501)
20% appreciation of EUR against KZT	(146,471)	62,249
20% appreciation of other currencies against KZT	(45,142)	(25,005)

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

(c) Credit risk

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

The credit policy establishes:

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

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

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

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

28 Risk management, continued

(c) Credit risk, continued

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

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

	2013 KZT'000	2012 KZT'000
ASSETS		
Cash and cash equivalents	21,038,919	15,268,223
Financial instruments at fair value through profit or loss	1,204,183	1,995,556
Available-for-sale financial assets	38,651,434	34,246,561
Deposits and balances with banks and other financial institutions	2,344,059	1,459,346
Loans to customers	151,732,916	172,583,516
Other financial assets	8,924,580	10,113,537
Total maximum exposure	**223,896,091**	**235,666,739**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 17.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 30.

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

Offsetting financial assets and financial liabilities

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

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

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

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

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

- derivatives
- sale and repurchase, and reverse sale and repurchase agreements.

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

28 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

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

KZT'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Amounts receivable under reverse repurchase agreements	9,369,866	-	9,369,866	(9,369,866)	-	-
Loans to customers	7,840,776	-	7,840,776	-	(2,100,925)	5,739,851
Total financial assets	**17,210,642**	**-**	**17,210,642**	**(9,369,866)**	**(2,100,925)**	**5,739,851**
Current accounts and deposits from customers	(2,100,925)	-	(2,100,925)	-	2,100,925	-
Amounts payable under repurchase agreements	(9,000)	-	(9,000)	9,000	-	-
Total financial liabilities	**(2,109,925)**	**-**	**(2,109,925)**	**9,000**	**2,100,925**	**-**

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

KZT'000

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Amounts receivable under reverse repurchase agreements	7,455,236	-	7,455,236	(7,455,236)	-	-
Loans to customers	9,644,533	-	9,644,533	-	(2,262,652)	7,381,881
Total financial assets	**17,099,769**	**-**	**17,099,769**	**(7,455,236)**	**(2,262,652)**	**7,381,881**
Current accounts and deposits from customers	(2,262,652)	-	(2,262,652)	-	2,262,652	-
Amounts payable under repurchase agreements	(45,001)	-	(45,001)	45,001	-	-
Total financial liabilities	**(2,307,653)**	**-**	**(2,307,653)**	**45,001**	**2,262,652**	**-**

28 Risk management, continued

(d) Liquidity risk, continued

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

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

The liquidity management policy requires:

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

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

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

The following tables show the undiscounted cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

28 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Overdue	No maturity	Total gross amount inflow (outflow)	Carrying amount
Non-derivative assets									
Cash and cash equivalents	29,508,327	-	-	-	-	-	-	29,508,327	29,471,147
Financial instruments at fair value through profit or loss	-	46,570	-	4,022	1,650,374	-	7,460	1,708,426	1,211,643
Available-for-sale financial assets	1,558,416	2,829,578	719,849	153,052	42,172,600	-	8,428	47,441,923	38,659,862
Deposits and balances with banks and other financial institutions	286,986	-	1,392,245	18,972	722,777	-	-	2,420,980	2,344,059
Loans to customers	4,530,466	8,512,558	9,636,886	15,382,001	123,738,720	44,973,737	-	206,774,368	151,732,916
Other financial assets	-	179,893	659,594	29,682	7,991,287	64,124	-	8,924,580	8,924,580
Total assets	**35,884,195**	**11,568,599**	**12,408,574**	**15,587,729**	**176,275,758**	**45,037,861**	**15,888**	**296,778,604**	**232,344,207**
Non-derivative liabilities									
Loans from the Government of the Republic of Kazakhstan	566,747	615,385	141,975	1,278,791	4,842,028	-	-	7,444,926	6,585,642
Deposits and balances from banks and other financial institutions	338,402	289	256	8,351	1,511,860	-	-	1,859,158	1,057,064
Current accounts and deposits from customers	65,784,086	13,837,431	15,890,051	37,292,282	29,728,237	-	-	162,532,087	152,139,857
Debt securities issued	629,125	-	72,917	-	49,105,928	-	-	49,807,970	34,700,351
Subordinated debt	-	-	43,663	-	5,893,457	-	2,268,859	8,205,979	7,073,629
Other financial liabilities	306,823	24,356	49,357	-	-	-	-	380,536	380,536
Total liabilities	**67,625,183**	**14,477,461**	**16,198,219**	**38,579,424**	**91,081,510**	**-**	**2,268,859**	**230,230,656**	**201,937,079**
Net liquidity gap on recognised financial assets and liabilities	**(31,740,988)**	**(2,908,862)**	**(3,789,645)**	**(22,991,695)**	**85,194,248**	**45,037,861**	**(2,252,971)**	**66,547,948**	**30,407,128**
Credit related commitments	**30,642,202**	**-**	**-**	**-**	**-**	**-**	**-**	**30,642,202**	**30,642,202**

28 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Overdue	No maturity	Total gross amount inflow (outflow)	Carrying amount
Non-derivative assets									
Cash and cash equivalents	23,514,022	-	-	-	-	-	-	23,514,022	23,502,928
Financial instruments at fair value through profit or loss	-	411,809	214,766	197,429	1,920,269	-	450	2,744,723	1,996,006
Available-for-sale financial assets	237,490	685,901	3,525,932	5,934,662	32,363,930	-	74,992	42,822,907	34,321,553
Deposits and balances with banks and other financial institutions	340,520	-	1,208,978	-	-	-	-	1,549,498	1,459,346
Loans to customers	5,106,040	1,357,515	6,561,965	12,067,381	135,034,811	83,283,494	-	243,411,206	172,583,516
Other financial assets	-	12,695	294,300	9,514,681	-	291,861	-	10,113,537	10,113,537
Total assets	**29,198,072**	**2,467,920**	**11,805,941**	**27,714,153**	**169,319,010**	**83,575,355**	**75,442**	**324,155,893**	**243,976,886**
Non-derivative liabilities									
Loans from the Government of the Republic of Kazakhstan	557,654	615,385	184,382	1,310,477	7,330,844	-	-	9,998,742	8,789,677
Deposits and balances from banks and other financial institutions	426,634	140	331	529,578	2,154,722	-	-	3,111,405	1,797,364
Current accounts and deposits from customers	60,021,115	5,103,621	16,107,073	34,509,532	42,194,520	-	-	157,935,861	149,080,108
Debt securities issued	202,673	-	167,977	-	16,644,113	-	-	17,014,763	14,804,685
Subordinated debt	-	-	43,616	-	6,273,600	-	2,268,859	8,586,075	6,990,612
Other financial liabilities	-	269,216	87,900	-	-	-	-	357,116	357,116
Total liabilities	**61,208,076**	**5,988,362**	**16,591,279**	**36,349,587**	**74,597,799**	**-**	**2,268,859**	**197,003,962**	**181,819,562**
Net liquidity gap on recognised financial assets and liabilities	**(32,010,004)**	**(3,520,442)**	**(4,785,338)**	**(8,635,434)**	**94,721,211**	**83,575,355**	**(2,193,417)**	**127,151,931**	**62,157,324**
Credit related commitments	**26,069,512**	-	-	-	-	-	-	**26,069,512**	**26,069,512**

28 Risk management, continued

(d) Liquidity risk, continued

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

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

The Group maintains a portfolio of highly liquid marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Group also has committed lines of credit that can be assessed to meet liquidity needs.

28 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	29,471,147	-	-	-	-	-	-	29,471,147
Financial instruments at fair value through profit or loss	-	46,570	4,022	48,203	1,105,388	7,460	-	1,211,643
Available-for-sale financial assets	1,554,707	2,472,169	1,164,788	16,715,480	16,744,290	8,428	-	38,659,862
Deposits and balances with banks and other financial institutions	285,482	-	1,341,271	717,306	-	-	-	2,344,059
Loans to customers	4,503,254	8,282,029	22,541,968	53,755,875	20,341,388	-	42,308,402	151,732,916
Current tax asset	-	-	100,147	-	-	-	-	100,147
Property and equipment	-	-	-	-	-	3,896,459	-	3,896,459
Deferred tax asset	-	-	-	-	-	3,616,271	-	3,616,271
Other assets	117,932	654,078	5,008,085	8,494,923	108,823	121,403	64,124	14,569,368
Total assets	**35,932,522**	**11,454,846**	**30,160,281**	**79,731,787**	**38,299,889**	**7,650,021**	**42,372,526**	**245,601,872**
Non-derivative liabilities								
Loans from the Government of the Republic of Kazakhstan	1,182,132	-	1,150,610	3,627,900	625,000	-	-	6,585,642
Deposits and balances from banks and other financial institutions	238,813	-	88,541	38,642	691,068	-	-	1,057,064
Current accounts and deposits from customers	65,201,669	12,615,263	50,159,383	22,219,108	1,944,434	-	-	152,139,857
Debt securities issued	629,125	-	72,917	20,439,331	13,558,978	-	-	34,700,351
Subordinated debt	-	-	43,663	4,761,107	-	2,268,859	-	7,073,629
Other liabilities	2,732,293	19,255	853,473	109,539	1,291,516	-	-	5,006,076
Total liabilities	**69,984,032**	**12,634,518**	**52,368,587**	**51,195,627**	**18,110,996**	**2,268,859**	**-**	**206,562,619**
Net position	**(34,051,510)**	**(1,179,672)**	**(22,208,306)**	**28,536,160**	**20,188,893**	**5,381,162**	**42,372,526**	**39,039,253**

28 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2012:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	23,502,928	-	-	-	-	-	-	23,502,928
Financial instruments at fair value through profit or loss	-	46,637	28,648	6	1,920,265	450	-	1,996,006
Available-for-sale financial assets	3,298	584,480	2,638,593	15,791,776	15,228,414	74,992	-	34,321,553
Deposits and balances with banks and other financial institutions	340,520	-	1,118,826	-	-	-	-	1,459,346
Loans to customers	5,105,341	1,357,043	18,442,627	42,202,114	36,382,816	-	69,093,575	172,583,516
Current tax asset	-	-	185,374	-	-	-	-	185,374
Property and equipment	-	-	-	-	-	4,058,701	-	4,058,701
Deferred tax asset	-	-	-	-	-	2,976,119	-	2,976,119
Other assets	444,238	71,915	13,773,455	405,125	-	272,223	291,861	15,258,817
Total assets	**29,396,325**	**2,060,075**	**36,187,523**	**58,399,021**	**53,531,495**	**7,382,485**	**69,385,436**	**256,342,360**
Non-derivative liabilities								
Loans from the Government of the Republic of Kazakhstan	557,654	615,385	1,150,610	5,841,028	625,000	-	-	8,789,677
Deposits and balances from banks and other financial institutions	164,399	137	502,842	208,112	921,874	-	-	1,797,364
Current accounts and deposits from customers	60,015,497	5,079,842	48,945,271	33,281,382	1,758,116	-	-	149,080,108
Debt securities issued	202,673	-	9,623,947	4,978,065	-	-	-	14,804,685
Subordinated debt	-	-	43,616	4,678,137	-	2,268,859	-	6,990,612
Other liabilities	1,395,684	299,929	1,250,348	-	177,085	-	-	3,123,046
Total liabilities	**62,335,907**	**5,995,293**	**61,516,634**	**48,986,724**	**3,482,075**	**2,268,859**	**-**	**184,585,492**
Net position	**(32,939,582)**	**(3,935,218)**	**(25,329,111)**	**9,412,297**	**50,049,420**	**5,113,626**	**69,385,436**	**71,756,868**

29 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital the following items defined by statutory regulation as capital for banks:

- Tier 1 capital, which is comprised of ordinary and preference share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses
- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's income, revaluation reserves, qualifying subordinated liabilities and dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base.

Under the current capital requirements set by the NBRK banks have to maintain:

- a ratio of tier 1 capital less investments to total assets less investments (k1-1)
- a ratio of tier 1 capital less investments to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1-2)
- a ratio of total capital to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k2).

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital. The investments are adjusted in the proportion of tier 1 capital in the total of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital).

As at 31 December 2013 and 2012 the minimum level of ratios as applicable to the Bank are as follows:

- k1.1 – 5%
- k1.2 – 5%
- k2 – 10%.

The Bank was in compliance with the statutory capital ratios as at 31 December 2013 and 2012.

29 Capital management, continued

The following table shows the composition of the capital position calculated in accordance with the requirements of the NBRK, as at 31 December:

	2013 KZT'000	2012 KZT'000
Tier 1 capital	38,251,264	39,930,700
Tier 2 capital	5,436,743	4,293,369
Total statutory capital	**43,688,007**	**44,224,069**
Total statutory assets	**252,801,791**	**225,791,848**
Risk-weighted statutory assets, contingent liabilities, operational and market risk		
Risk weighted statutory assets and contingent liabilities	205,580,580	185,623,692
Operational risk	2,737,894	6,596,948
Total statutory risk weighted assets, contingent liabilities, operational and market risk	**208,318,474**	**192,220,640**
k1.1 ratio	**15.1%**	**17.7%**
k1.2 ratio	**18.4%**	**20.8%**
k.2 ratio	**21.0%**	**23.0%**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank reported to the NBRK the statutory capital ratios as at 31 December 2013 based on the amounts which were then recorded in its statutory financial statements at 31 December 2013. Subsequent to this date, management made adjustments to the Bank's unconsolidated financial statements which reduced tier 1 capital, tier 2 capital and total statutory capital by KZT 3,381,383 thousand, KZT 143,984 thousand and KZT 3,525,367 thousand at 31 December 2013, respectively. Had the reduced tier 1 capital, tier 2 capital and total statutory capital been used in calculation of statutory capital ratios, the Bank would still be in compliance with capital ratios.

30 Credit related commitments

The Group has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

30 Credit related commitments, continued

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2013 KZT'000	2012 KZT'000
Contracted amount		
Loan and credit line commitments	16,553,635	16,473,261
Guarantees and letters of credit	14,088,567	9,596,251
	30,642,202	**26,069,512**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

31 Operating leases

Leases as lessee

Non-cancelable operating lease rentals as at 31 December are payable as follows:

	2013 KZT'000	2012 KZT'000
Less than 1 year	311,670	349,949
Between 1 and 5 years	484,949	481,548
More than 5 years	101,322	94,732
	897,941	**926,229**

The Group leases a number of premises under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

32 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

32 Contingencies, continued

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

33 Related party transactions

(a) Control relationships

The Group's parent company is J.P. Finance Group LLC. The Group's parent company produces publicly available financial statements. The party with ultimate control over the Group is Mrs. Sarsenova S. T. No publicly available financial statements are produced by the Group's ultimate controlling party.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2013 and 2012 is as follows:

	2013 KZT'000	2012 KZT'000
Short term employee benefits	155,386	176,899
Social security costs	44	388
	155,430	**177,287**

These amounts include cash and non-cash benefits in respect of the members of the Board of Directors and the Management Board.

The outstanding balances and average interest rates as at 31 December 2013 and 2012 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2013 KZT'000	Average interest rate, %	2012 KZT'000	Average interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	54,139	11.0 - 13.7	94,639	11.0 - 13.7
LIABILITIES				
Current accounts and deposits from customers	243,849	7.5 - 9.0	309,955	4.5 - 11.5

33 Related party transactions, continued

(b) Transactions with the members of the Board of Directors and the Management Board, continued

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	2013 KZT'000	2012 KZT'000
Profit or loss		
Interest income	7,112	11,336
Interest expense	(18,610)	(17,086)
Reversal of impairment losses	592	459
Fee and commission income	302	90
Other general administrative expenses	(2,021)	(2,909)

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	Shareholders		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
- In KZT	1,925,100	12.0	2,849,994	12.0	4,775,094
LIABILITIES					
Current accounts and deposits from customers					
- In KZT	6,960,870	1.0-9.0	3,381,208	1.0-7.0	10,342,078
- In USD	25,208	3.0	798	-	26,006
Items not recognised in the consolidated statement of financial position					
Guarantees issued	28,020		-		28,020
Profit (loss)					
Interest income	367,748		250,617		618,365
Interest expense	(539,926)		(166,553)		(706,479)
Impairment losses	(117,797)		(312,495)		(430,292)
Fee and commission income	182,181		45,333		227,514

*Other related parties are the entities that are controlled by the Parent company's shareholders.

As at 31 December 2013 the Group concluded 3 forward contracts to buy USD and sell KZT with a total notional amount of KZT 12,324,800 thousand with one of the shareholders. These forward exchange contracts have contractual maturity in October-November 2014 and weighted average contractual exchange rate of 162.71. In January-February 2014, the two forward contracts with the total notional amount of KZT 9,243,600 thousand have been terminated ahead of schedule.

33 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2012 and related profit or loss amounts of transactions for the year ended 31 December 2012 with other related parties are as follows.

	Shareholders		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position					
ASSETS					
Loans to customers					
- In KZT	-	-	3,344,159	12.0	3,344,159
LIABILITIES					
Current accounts and deposits from customers					
- In KZT	6,520,820	5.5-12.5	7,020,852	1.0-9.0	13,541,672
- In USD	165,245	6.0-10.5	15,471	13.0	180,716
Items not recognised in the consolidated statement of financial position					
Guarantees issued	-		23,752		23,752
Profit (loss)					
Interest income	-		262,000		262,000
Interest expense	(1,034,678)		(417,309)		(1,451,987)
Impairment losses	-		34,281		34,281
Fee and commission income	20,787		56,435		77,222

*Other related parties are the entities that are controlled by the Parent company's shareholders.

34 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2013:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	29,471,147	-	-	29,471,147	29,471,147
Financial instruments at fair value through profit or loss	1,211,643	-	-	-	-	1,211,643	1,211,643
Available-for-sale financial assets	-	-	-	38,659,862	-	38,659,862	38,659,862
Deposits and balances with banks and other financial institutions	-	-	2,344,059	-	-	2,344,059	2,344,059
Loans to customers	-	-	-	-	-		
Loans to corporate customers	-	-	119,424,400	-	-	119,424,400	121,175,390
Loans to retail customers	-	-	32,308,516	-	-	32,308,516	35,851,424
Other financial assets	-	216,739	8,707,841	-	-	8,924,580	8,924,580
	1,211,643	**216,739**	**192,255,963**	**38,659,862**	**-**	**232,344,207**	**237,638,105**
Loans from the Government of the Republic of Kazakhstan	-	-	-	-	6,585,642	6,585,642	6,585,642
Deposits and balances from banks and other financial institutions	-	-	-	-	1,057,064	1,057,064	1,057,064
Current accounts and deposits from customers	-	-	-	-	152,139,857	152,139,857	152,224,485
Debt securities issued	-	-	-	-	34,700,351	34,700,351	35,020,316
Subordinated debt	-	-	-	-	7,073,629	7,073,629	7,041,994
Other financial liabilities	-	-	-	-	380,536	380,536	380,536
	-	**-**	**-**	**-**	**201,937,079**	**201,937,079**	**202,310,037**

34 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2012:

KZT'000	Trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	23,502,928	-	-	23,502,928	23,502,928
Financial instruments at fair value through profit or loss	1,996,006	-	-	-	1,996,006	1,996,006
Available-for-sale financial assets	-	-	34,321,553	-	34,321,553	34,321,553
Deposits and balances with banks and other financial institutions	-	1,459,346	-	-	1,459,346	1,459,346
Loans to customers						
Loans to corporate customers	-	143,265,324	-	-	143,265,324	145,909,464
Loans to retail customers	-	29,318,192	-	-	29,318,192	29,923,393
Other financial assets	-	10,113,537	-	-	10,113,537	10,113,537
	1,996,006	**207,659,327**	**34,321,553**	**-**	**243,976,886**	**247,226,227**
Loans from the Government of the Republic of Kazakhstan	-	-	-	8,789,677	8,789,677	8,880,336
Deposits and balances from banks and other financial institutions	-	-	-	1,797,364	1,797,364	1,797,364
Current accounts and deposits from customers	-	-	-	149,080,108	149,080,108	150,618,571
Debt securities issued	-	-	-	14,804,685	14,804,685	15,842,440
Subordinated debt	-	-	-	6,990,612	6,990,612	6,562,843
Other financial liabilities	-	-	-	357,116	357,116	357,116
	-	**-**	**-**	**181,819,562**	**181,819,562**	**184,058,670**

34 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 3.5 – 12.7% and 19.9% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 0.7 – 7.9% and 6.6 – 8.8% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively
- quoted market prices are used for determination of fair value of debt securities issued.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

34 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	-	1,204,183	1,204,183
- Equity investments	-	7,460	7,460
Available-for-sale financial assets			
- Debt and other fixed income instruments	5,719,081	32,932,353	38,651,434
- Equity investments	-	8,428	8,428
	5,719,081	**34,152,424**	**39,871,505**

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	**Level 1**	**Level 2**	**Total**
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	-	1,995,556	1,995,556
- Equity investments	-	450	450
Available-for-sale financial assets			
- Debt and other fixed income instruments	5,834,109	28,412,452	34,246,561
- Equity investments	-	74,992	74,992
	5,834,109	**30,483,450**	**36,317,559**

Due to low market liquidity, management consider that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2013 and 2012 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

As at 31 December 2013 and 2012 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market inputs.

34 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013:

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	29,471,147	-	29,471,147	29,471,147
Deposits and balances with banks and other financial institutions	2,344,059	-	2,344,059	2,344,059
Loans to customers	105,057,132	51,969,682	157,026,814	151,732,916
Liabilities				
Loans from the Government of the Republic of Kazakhstan	6,585,642	-	6,585,642	6,585,642
Deposits and balances from banks and other financial institutions	1,057,064	-	1,057,064	1,057,064
Current accounts and deposits from customers	152,224,485	-	152,224,485	152,139,857
Debt securities issued	35,020,316	-	35,020,316	34,700,351
Subordinated debt	7,041,994	-	7,041,994	7,073,629

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2012:

KZT'000	Level 1	Level 2	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	23,502,928	-	23,502,928	23,502,928
Deposits and balances with banks and other financial institutions	1,459,346	-	1,459,346	1,459,346
Loans to customers	107,456,351	68,376,506	175,832,857	172,583,516
Liabilities				
Loans from the Government of the Republic of Kazakhstan	8,880,336	-	8,880,336	8,789,677
Deposits and balances from banks and other financial institutions	1,797,364	-	1,797,364	1,797,364
Current accounts and deposits from customers	150,618,571	-	150,618,571	149,080,108
Debt securities issued	15,842,440	-	15,842,440	14,804,685
Subordinated debt	6,562,843	-	6,562,843	6,990,612

35 Discontinued operations

Due to changes in legislation on pension system reforming one of the Group's subsidiaries, the Fund, suspended its activities relating to pension contributions and payments (Note 1 (a)).

Profit from discontinued operations of the Fund

Analysis of the result of discontinued operations is as follows:

	2013 '000 KZT	2012 '000 KZT
Fee and commission income		
Commission income from investment activity	806,665	325,524
Commission income from pension assets	499,505	486,677
	1,306,170	**812,201**
Fee and commission expense		
Commission expenses on custodial services	(23,160)	(32,864)
Other commission expenses	(11,177)	(5,987)
	(34,337)	**(38,851)**
Net fee and commission income	**1,271,833**	**773,350**
Reversal of provision for deferred commission losses	166,478	87,548
Operating income	**1,438,311**	**860,898**
Personnel expenses	(186,426)	(705,145)
Other general administrative expenses	(67,611)	(237,135)
Profit (loss) before income tax from discontinued operations	**1,184,274**	**(81,382)**
Income tax expense	(153,894)	(28,643)
Profit (loss) for the year from discontinued operations	**1,030,380**	**(110,025)**

Kazakhstan pension legislation provided the types of commission rates allowed for services provided to accumulative pension funds. Commissions received by the Fund are stated in 2013 and 2012 at the rate of 15% from net investments income (losses) for respective year. In addition, the Fund receives commission income on pension assets of 0.05% from the lower of carrying amount of pension assets or its fair value at the beginning of each month.

Cash flows from discontinued operations of the Fund

The net cash flows from discontinued operations are as follows:

	2013 '000 KZT	2012 '000 KZT
Net cash flow from (used in) operating activities	1,100,354	(375,064)

36 Events after the reporting period

Devaluation

On 11 February 2014, the NBRK announced that it was devaluing the KZT. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, down approximately 19% from the previous day's close of KZT 155.63 per USD. As the devaluation occurred after the reporting date, these consolidated financial statements have not been adjusted for the rate change.

36 Events after the reporting period, continued

Devaluation, continued

Management is still in the process of evaluating the effects of the devaluation on the Group but expects the operational impact to be unfavourable. Management estimates that the financial effect from gains and losses on monetary items on the date the devaluation was announced and the following date after the devaluation is approximately a loss of KZT 665,649 thousand. See Note 28 for details of the Group's exposure to foreign currency risk at the reporting date. Management's current assessment is that the devaluation will not affect the Group's ability to meet its existing contractual obligations.