

**Explanatory notes to financial statements for the period ended as of June 30, 2014**  
**“Bank RBK” JSC**

**1. Introduction**

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

The Bank operates since March 1992 and was established as a private bank Meken. In April 1996, the Bank was transformed into Alash-Bank Closed Joint Stock Company. In May 2005, the Bank was re-registered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan. 22 August 2005 the Bank was renamed as Kazakhstan Innovation Commercial Bank JSC or KAZINCOMBANK JSC. 23 September 2011 the Bank was renamed as Bank RBK JSC.

In 2014 there were changes in shareholding structure. The list of the shareholders owning 5 and more percent of total placed ordinary shares as of 30 June 2014 and 31 December 2013 presented below:

Shareholders	Unaudited June 30, 2014	December 31, 2013
	Share, %	Share, %
Lyukhudzyayev Farid	11,0%	11,0%
Zhauarova G.K.	-	11,0%
Utepbergenov M.M.	-	9,0%
"INTERTRANS C.A." LLP	-	8,9%
"VELTON" LLP	-	8,9%
Kim G.S.	-	8,4%
Dzhumayev T.T.	-	8,3%
Mamedov E.V.	-	8,3%
Mazhitova D.A.	-	5,2%
DORGIA COMPANY LLP	8,6%	-
ISHSS COMPANY LLP	8,6%	-
KAZFUEL TRADE LLP	8,0%	-
KET COMPANY LLP	8,6%	-
Other with shareholding up to 5%	55,2%	21,0%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

The list of the shareholders owning 5 and more percent from total of placed preference shares as of 30 June 2014 and 31 December 2013 presented below:

Shareholders	Unaudited 30 June 2014	31 December 2013
	Share %	Share %
CITY GARANT INVESTMENTS, LLP	44,2%	44,2%
VELTON, LLP	22,2%	22,2%
NORTH WIND, LLP	11,1%	11,1%
ALEMTRADINGKOMMERZ, LLP	11,1%	11,1%
GEFEST KOMMERZ, LLP	11,1%	11,1%
Others with a share of less than 5%	0,3%	0,3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## **1 Introduction (continued)**

**Core Business.** The Bank's core business is to provide commercial and retail banking operations in the Republic of Kazakhstan. The Bank operates under a banking license, re-issued 26 September 2013 by the Committee for the Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (the "NBRK").

As of 30 June 2014 the Bank had 6 branches (2013: 6) and 7 offices (2013: 7).

The Bank's registered address is: Adi Sharipov street 84, Almaty, Republic of Kazakhstan.

## **2 Economic Environment in which the Bank Operates**

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

## **3 Basis of Preparation**

**Statement of Compliance.** This interim condensed financial information has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. It does not include all the information required for complete annual financial statements and figures herein should be considered together with the figures of the financial statements for the year ended 31 December 2013 since this interim condensed financial information is meant as update of the financial information presented in the financial statements for the previous period.

**Measurement Basis.** This interim condensed financial information prepared on the historical cost basis, except for financial instruments carried at fair value through profit or loss and financial assets available for sale carried at fair value, and PP&E carried at revalued amount.

**Presentation currency.** This interim condensed financial information is presented in Kazakhstan tenge (hereinafter "tenge or KZT").

**Use of Judgments, Estimates and Assumptions.** Preparation of interim condensed financial information requires the management to use estimates and assumptions affecting the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities as at the preparation date of interim condensed financial information, as well as reported amounts of income and expenses for the reporting period. Though these estimates are based on the management's knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized in the reporting period in which those estimates were reviewed as well as in future periods.

## **4 Summary of Significant Accounting Policies**

When preparing this interim condensed financial information, the Bank applied the same accounting policies and calculation procedures, as were used to prepare the annual financial statements of the Bank for the year ended 31 December 2013.

## 5 Cash and Cash Equivalents

(in KZT thousands)

	Unaudited 30 June	
	2014	31 December 2013
Cash on hand	6 939 895	7 779 567
Cash balances with NBRK	6 763 697	15 360 537
Term deposits		
- no rating	1 839 588	-
Total term deposits	1 839 588	-
Nostro accounts with other banks		
- with a credit rating "A+" to "A-"	10 003 892	6 256 066
- with a credit rating "BBB" to "BBB-"	98 849	80 094
- with a credit rating "BB" to "BB-"	402 514	216 744
- with a credit rating "B+" to "B-"	15 643	280 303
- no rating	1 499	-
Total nostro accounts with other banks	10 522 397	6 833 207
Total cash and cash equivalents	26 065 577	29 973 311

As at 30 June 2014 statutory provisions included to NBRK account balances amounted to KZT 5 802 957 thousand (31 December 2013 – KZT 3 864 964 thousand).

The credit ratings are according to the scale the credit agency “Fitch”, “Standard & Poor's”.

None of the items “Cash and cash equivalents” is not impaired or past due.

As of June 30, 2014 the Bank has share in one banks which individually exceeded 10% of the capital with total balance of KZT 9 583 972 thousand (31 December 2013 - one bank with the remainder of KZT 4 681 163 thousand).

## 6 Loans and Advances to Customers

(in KZT thousands)

	Unaudited	
	30 June	31 December 2013
Corporate loans	192 999 978	119 173 227
Loans to individuals	55 661 571	29 030 075
Loans and advances to customers before provision for impairment	248 661 549	148 203 302
Provision for loan impairment	(6 717 459)	(4 956 583)
Total loans and advances to customers	241 944 090	143 246 719

The information about changes in the provision for impairment by class of loans to customers for the six months ended 30 June 2014 is presented below:

(thousand tenge)	Corporate Loans	Retail Loans	Total
As of January 1, 2014	(4 353 112)	(603 471)	(4 956 583)
Net creation of provisions	(2 528 334)	(222 462)	(2 750 796)
Debt relief through provisions	1 163 796	-	1 163 796
Exchange rate difference	(171 616)	(2 260)	(173 876)
Provisions for loan impairment at June 30, 2014	(5 889 266)	(828 193)	(6 717 459)

The information about changes in the provision for impairment by class of loans to customers for the six months ended 30 June 2013 is presented below:

<i>(in KZT thousands)</i>	<b>Corporate loans</b>	<b>Loans to individuals</b>	<b>Total</b>
<b>At 1 January 2013</b>	<b>(1 788 613)</b>	<b>(216 973)</b>	<b>(2 005 586)</b>
Net creation of provision	(1 361 171)	(176 594)	(1 537 765)
Foreign exchange difference	(2 255)	1 294	(961)
<b>Provision for loan impairment at 30 June 2013 (unaudited)</b>	<b>(3 152 039)</b>	<b>(392 273)</b>	<b>(3 544 312)</b>

Below is the analysis of loans by credit quality as at 30 June 2014 (unaudited):

<i>(in KZT thousands)</i>	<b>Loans before provision for impairment</b>	<b>Provision for individually impaired loans</b>	<b>Provision for collectively impaired loans</b>	<b>Total provision for impairment</b>	<b>Loans net of provision for impairment</b>
<b>Not overdue</b>	<b>213 773 617</b>	<b>(2 438 177)</b>	<b>(693 410)</b>	<b>(3 131 587)</b>	<b>210 642 030</b>
Loans to large entities	61 646 185	(1 251 461)	(101 173)	(1 352 634)	60 293 551
Loans to small and medium entities	105 164 869	(1 101 561)	(359 634)	(1 461 195)	103 703 675
Consumer and other loans to individuals	46 962 563	(85 155)	(232 603)	(317 758)	46 644 805
<b>Overdue</b>	<b>34 887 932</b>	<b>(3 447 251)</b>	<b>(138 621)</b>	<b>(3 585 872)</b>	<b>31 302 060</b>
Loans to large entities	2 755 240	(220 404)	(2 216)	(222 620)	2 532 621
Loans to small and medium entities	23 433 683	(2 785 447)	(67 372)	(2 852 819)	20 580 864
Consumer and other loans to individuals	8 699 009	(441 400)	(69 034)	(510 434)	8 188 575
<b>Total</b>	<b>248 661 549</b>	<b>(5 885 427)</b>	<b>(832 031)</b>	<b>(6 717 459)</b>	<b>241 944 090</b>

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

<i>(in KZT thousands)</i>	<b>Loans before provision for impairment</b>	<b>Provision for individually impaired loans</b>	<b>Provision for collectively impaired loans</b>	<b>Total provision for impairment</b>	<b>Loans net of provision for impairment</b>
<b>Not overdue</b>	<b>136 717 043</b>	<b>(467 944)</b>	<b>(1 072 662)</b>	<b>(1 540 606)</b>	<b>135 176 437</b>
<b>Loans to large entities</b>	<b>58 946 281</b>	<b>(467 944)</b>	<b>(516 307)</b>	<b>(984 251)</b>	<b>57 962 030</b>
Loans to small and medium entities	51 214 598	-	(521 833)	(521 833)	50 692 765
Consumer and other loans to individuals	26 556 164	-	(34 522)	(34 522)	26 521 642
<b>Overdue</b>	<b>11 486 259</b>	<b>(3 023 412)</b>	<b>(392 565)</b>	<b>(3 415 977)</b>	<b>8 070 282</b>
Loans to large entities	1 192 027	-	(4 664)	(4 664)	1 187 363
Loans to small and medium entities	7 820 321	(2 815 611)	(26 753)	(2 842 364)	4 977 957
Consumer and other loans to individuals	2 473 911	(207 801)	(361 148)	(568 949)	1 904 962
<b>Total</b>	<b>148 203 302</b>	<b>(3 491 356)</b>	<b>(1 465 227)</b>	<b>(4 956 583)</b>	<b>143 246 719</b>

The following provides information about collateral as of 30 June 2014 (unaudited):

## 6 Loans and Advances to Customers (continued)

<i>(in KZT thousands)</i>	Corporate loans	Loans to individuals	Total	%
<b>Unsecured loans</b>	<b>156 365</b>	<b>1 558 843</b>	<b>1 715 208</b>	<b>0,7%</b>
<b>Loans secured on:</b>				
- assets receivable under the contracts	4 036 139	3 920 268	7 956 407	3,2%
- real estate	18 022 284	46 090 863	64 113 147	25,8%
- third party guarantees	37 192 816	3 026 564	40 219 380	16,2%
- goods for sale and goods receivable in the future	54 514 728	-	54 514 728	21,9%
- cash	10 180 805	588 991	10 769 796	4,3%
- equipment	-	-	-	0,0%
- combined provision	5 371 706	-	5 371 706	2,2%
- transport	71 312	257 666	328 978	0,1%
- other assets	63 453 823	218 376	63 672 199	25,6%
<b>Total loans and advances to customers</b>	<b>192 999 978</b>	<b>55 661 571</b>	<b>248 661 549</b>	<b>100%</b>

As at 30 June 2014, total cash collateral amounts to KZT 11 172 154 thousand for loans to corporate customers, and KZT 747 513 thousand for loans to individuals.

The following table provides information about collateral as of 31 December 2013

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

As at 31 December 2013, total cash collateral amounts to KZT 4 732 973 thousand for loans to corporate customers, and KZT 1 420 438 thousand for loans to individuals.

## 6 Loans and Advances to Customers (continued)

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

(in KZT thousands)

	Unaudited 30 June 2014		31 December 2013	
	Amount	%	Amount	%
Wholesale and retail trade	99 234 887	40%	42 590 335	29%
Individuals	55 661 571	22%	29 030 075	20%
Processing industry	20 709 250	8%	20 496 589	14%
Transport, warehousing	9 900 018	4%	9 572 618	6%
Other professional, scientific and technical activities	2 804 312	1%	8 884 971	6%
Mining industry	9 032 256	4%	8 523 150	6%
Construction	24 793 557	10%	7 434 437	5%
Agriculture, forestry and fishery	4 944 426	2%	4 471 790	3%
Financial and insurance services	1 661 777	1%	4 111 203	3%
Real estate operations	3 828 795	2%	3 261 931	2%
Administration and support services	4 079 519	2%	2 330 635	2%
Information and communication	856 931	0%	904 870	1%
Accommodation and meals	2 022 927	1%	637 532	0%
Public health and social service	843 998	0%	666 191	0%
Electric power supply, gas supply and air conditioning	98 640	0%	100 325	0%
Education	143 502	0%	31 218	0%
Arts, entertainment and leisure activities	14 178	0%	15 802	0%
Other industries	8 031 004	3%	5 139 630	3%
<b>Total loans and advances to customers (before provision for loan impairment)</b>	<b>248 661 549</b>	<b>100%</b>	<b>148 203 302</b>	<b>100%</b>

The following is detailed information on Construction and Transactions with fixed property:

	30 June 2014	%	Highly liquid collateral	31 December 2013	%	Highly liquid collateral
<b>By aims and cash collateral:</b>						
<b>Construction</b>	<b>24 793 556</b>	<b>100%</b>	<b>9 763 346</b>	<b>7 434 437</b>	<b>100%</b>	<b>2 521 734</b>
- costs on current assets	9 700 541	39%	1 283 564	4 378 350	59%	2 189 720
- other aims	6 293 183	25%	6 276 384	320 357	4%	22 042
- funds to new construction and reconstruction of facilities	6 124 385	25%	2 200 889			
- funds to acquire PP&E (except for lease)	2 675 447	11%	2 509	2 735 730	37%	309 972
<b>Transactions with fixed property:</b>	<b>3 828 795</b>	<b>100%</b>	<b>-</b>	<b>3 261 931</b>	<b>100%</b>	<b>-</b>
- costs on current assets	56 025	1%	-	18 622	1%	-
- funds to new construction and reconstruction of facilities	691 847	18%	-	-	0%	-
- other aims	3 080 923	80%	-	2 960 107	91%	-
- funds to acquire PP&E (except for lease)	-	-	-	283 202	9%	-

(in KZT thousands)

	Unaudited 30 June 2014		31 December 2013	
	Amount	%	Amount	%
<b>Loans to individuals</b>				
Consumer loans	51 756 460	93%	25 737 572	89%
<i>including those secured on real property</i>	42 336 916	76%	18 825 434	65%
Mortgages	3 753 947	7%	3 136 181	11%
Auto loans	151 164	0%	156 322	0%
<b>Total loans to individuals</b>	<b>55 661 571</b>	<b>100%</b>	<b>29 030 075</b>	<b>100%</b>

## 6. Loans and Advances to Customers (continued)

As at 30 June 2014 the Bank has 15 borrowers or groups of related borrowers (31 December 2013: 18), the loans whereof are of more than 10% of the capital. Total loan balances of borrowers specified as at 30 June 2014 was KZT 66 696 763 thousand (31 December 2013- KZT 59 820 580 thousand).

To assess impairment of loans and advances to customers, the Bank adopts the following key assumptions and judgments:

- As part of loan portfolio, individually significant loans (the amount outstanding is more than KZT 200 000 thousand) are emphasized when determining a provision for impairment.
- Individually insignificant impaired loans of legal entities are accounted for separately.
- Loans which are neither individually significant nor have impairment indicators are grouped based on similarity of credit risk characteristics and are jointly reviewed for impairment.
- The review is made by corporate (by branches) and retail customers.
- In order to identify indicators of impairment, the Bank performs complex analysis of a financial position of corporate customers. If there are no objective impairment indicators, collective impairment ratio of similar credit risk group shall be applied to individually significant loans.
- Collective impairment ratio is calculated on the basis of historical data on the Bank and is determined using migratory Roll-Rate model.

The interest rate analysis of customer accounts is disclosed in Note 14. The relevant information on related parties is disclosed in Note 18.

## 7 Financial Assets Available for Sale

<i>(in KZT thousands)</i>	<b>Unaudited 30 June</b>	
	<b>2014</b>	<b>31 December 2013</b>
<b>Government securities of RK</b>		
of Kazakhstan	34 770 111	34 705 664
NBRK notes	-	1 999 308
Securities of SOVEREIGN WEALTH FUND "SAMRUK	303 716	303 585
<b>Total government securities of RK</b>	<b>35 073 827</b>	<b>37 008 557</b>
<b>Government securities of foreign states</b>		
Securities of international financial institutions	1 786 078	1 937 845
Securities of foreign states	6 895 101	1 682 622
<b>Total government securities of foreign states</b>	<b>8 681 179</b>	<b>3 620 467</b>
<b>Corporate bonds</b>	<b>5 587 437</b>	<b>5 481 265</b>
<b>Total debt securities</b>	<b>49 342 443</b>	<b>46 110 289</b>

## 7 Financial Assets Available for Sale (continued)

The analysis of debt securities by credit quality as of 30 June 2014 (unaudited):

*(in KZT thousands)*

	Government securities of the MFRK	NBRK notes	Securities of SWF "SAMRUK KAZYNA" JSC	Securities of international financial institutions	Securities of foreign states	Corporate bonds	Total
<b>Neither past due nor impaired</b>							
Fitch Ratings: "AAA"	-	-	-	582 272	4 897 284	-	5 479 556
Fitch Ratings: "BBB"	-	-	-	-	-	2 728 723	2 728 723
Fitch Ratings: "BBB"	34 770 111	-	-	-	-	148 385	34 918 496
Fitch Ratings: "BBB-"	-	-	-	-	-	897 874	897 874
Moody's: "Baa1"	-	-	-	-	1 997 817	-	1 997 817
Moody's: "Baa3"	-	-	-	-	-	574 275	574 275
Moody's: "A3"	-	-	-	1 014 136	-	-	1 014 136
Moody's: "Ba3"	-	-	-	-	-	493 461	493 461
Standard & Poor's: "BBB+"	-	-	303 716	-	-	-	303 716
Standard & Poor's: "BBB"	-	-	-	189 670	-	-	189 670
Standard & Poor's: "BB+"	-	-	-	-	-	744 719	744 719
<b>Total neither past due nor impaired</b>	<b>34 770 111</b>	<b>-</b>	<b>303 716</b>	<b>1 786 078</b>	<b>6 895 101</b>	<b>5 587 437</b>	<b>49 342 443</b>

The analysis of debt securities by credit quality as of 31 December 2013:

*(in KZT thousands)*

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



## 8 Customer Accounts

<i>(in KZT thousands)</i>	<b>Unaudited 30 June</b>	<b>31 December 2013</b>
	<b>2014</b>	
<b>State and public organisations</b>		
- Current/settlement accounts	78 409 483	38 058 757
- Term deposits	54 784 305	34 813 912
- Deposits which are collateral for liabilities	346 697	463 792
<b>Other legal entities</b>		
- Current/settlement accounts	24 420 902	34 740 926
- Term deposits	43 453 714	36 651 790
- Deposits which are collateral for liabilities	9 597 772	15 341 187
- Other deposits	26 020	6 005
<b>Individuals</b>		
- Current/demand accounts	3 946 175	1 775 818
- Term deposits	43 799 524	30 333 384
- Deposits which are collateral for liabilities	8 441 097	1 733 566
- Other deposits	334	2 277
<b>Total customer accounts</b>	<b>267 226 023</b>	<b>193 921 414</b>

As at 30 June 2014, the Bank had 16 customers with balances over 10% of the Bank's capital (31 December 2013: 19). Total balance of those customers was KZT 151 799 243 thousand (31 December 2013: KZT 110 163 830 thousand).

## 9 Debt Securities Issued and Subordinated Loans

On 15 March 2013 NBRK Committee for control and supervision of the financial market and financial organizations registered first issue of bonds and second issue of subordinated bonds within the Bank's First Bond Program.

As at 30 June 2014 regarding first issue of bonds, registered coupon debenture bonds were placed for the amount of KZT 6 970 000 thousand, with maturity of 3 years. Regarding second issue, registered coupon subordinated debenture bonds were placed for the amount of KZT 4 962 230 thousand, with maturity of 7 years. Regarding third issue, registered coupon subordinated debenture bonds were placed for the amount of KZT 2 600 000 thousand, with maturity of 3 years.

Those bonds have nominal interest rates of 8.0% - 9.5% - 8.0% per annum with respect to coupon bonds and subordinated bonds, respectively. With due account for discount and accrued interest coupon bonds make KZT 9 732 032 thousand, and accordingly, subordinated bonds make KZT 5 036 484 thousand.

<i>(in KZT thousands)</i>	<b>Unaudited 30 June</b>	<b>31 December 2013</b>
	<b>2014</b>	
<b>Subordinated debt</b>		
Issued Subordinated debt securities	5 036 484	5 036 377
<b>Total Subordinated debt</b>	<b>5 036 484</b>	<b>5 036 377</b>

## 10 Share Capital

The following is the share capital structure as at 30 June 2014 and 31 December 2013:

(in KZT thousands, except for number of shares)	<b>Shares outstanding (thousand pcs)</b>	<b>Ordinary shares</b>	<b>Preference shares</b>
<b>At 1 January 2013</b>	<b>1 450 000</b>	<b>10 000 000</b>	<b>4 500 000</b>
Share issue	-	-	-
<b>At 31 December 2013</b>	<b>1 450 000</b>	<b>10 000 000</b>	<b>4 500 000</b>
Share issue	2 000 000	20 000 000	-
<b>At 30 June 2014</b>	<b>3 450 000</b>	<b>30 000 000</b>	<b>4 500 000</b>

As at 30 June 2014 declared share capital of the Bank includes 3 500 000 ordinary and 500 000 preference shares. At the reporting date, KZT 30 000 000 thousand for ordinary and KZT 4 500 000 thousand for preference shares were paid.

As at 30 June 2014 and 31 December 2013, nominal value of one ordinary share with one vote makes KZT 10 000. Nominal value of one preference share also makes KZT 10 000.

### *Dividends*

In the reporting period dividends on preference shares of KZT 306 000 thousand at the rate of KZT 680 per preference share (30 June 2013: KZT 360 000 thousand) were declared and paid, including KZT 5 thousand which is payment for the guaranteed dividend amount at the rate of KZT 0.01 per share.

## 11 Interest Income and Expense

(in KZT thousands)	<b>Unaudited 30 June 2014</b>	<b>Unaudited 30 June 2014</b>
<b>Interest income</b>		
Loans and advances to customers	12 238 173	5 565 356
Financial assets available for sale	1 008 279	423 019
Reverse REPO transaction	139 928	27 604
Correspondent accounts with other banks	1 249	3 796
Due from other banks	14 662	5 676
<b>Total interest income</b>	<b>13 402 291</b>	<b>6 025 451</b>
<b>Interest expense</b>		
Loans from entities performing selected banking activities	8 111	-
Term deposits	6 630 844	2 632 296
REPO transactions	1 510	73
Debt securities issued	380 678	37 550
Subordinated debt	235 813	1 290
<b>Total interest expense</b>	<b>7 256 956</b>	<b>2 671 209</b>
<b>Net interest income</b>	<b>6 145 335</b>	<b>3 354 242</b>

## 12 Administrative and Other Operating Expenses

<i>(in KZT thousands)</i>	Unaudited 30 June 2014	Unaudited 30 June 2014
Personnel expenses	1 720 114	1 092 344
Advertising and marketing services	530 227	183 840
Depreciation and amortization	238 174	151 915
Operating lease expenses	162 189	103 288
Security expenses	145 023	85 133
Professional services	96 645	79 818
Taxes other than income taxes	128 341	55 072
Contributions to the Deposits Guarantee Fund	209 095	91 186
Expenditures for PP&E repairs and maintenance	16 555	-
Expenditures on maintenance of leased and administrative buildings	34 770	21 343
Communication service	33 889	18 254
Transportation costs	27 962	16 135
Business trip expenses	30 766	10 923
Repair expenses	15 147	7 573
Stationery	9 209	7 157
Entertainment expenses	4 447	2 753
Insurance expense	4 054	-
Trainings of employees	3 136	997
Other	132 315	86 892
<b>Total administrative and other operating expenses</b>	<b>3 542 058</b>	<b>2 014 623</b>

## 13 Segment Analysis

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

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

Functions of the operation of making decision performed by the Bank's Board. The Board regularly uses for operational decision making and resource allocation financial information based on IFRS.

*Description of products and services from which each reportable segment derives its revenue*

Bank's operations are organized in three major business segments:

**Corporate banking**, being direct debit instruments, current accounts, deposits, overdrafts, credits and other credit instruments, currency and derivative products.

**Retail Banking**, being private bank services, private current accounts of the clients, savings, deposits and consumer credits.

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

### 13 Segment Analysis (continued)

The following table presents segment information on assets of reportable segments for the six months ended 30 June 2014 (unaudited):

<i>(in KZT thousands)</i>	<b>Corporate banking</b>	<b>Private banking services</b>	<b>Investment banking</b>	<b>Total</b>
<b>Assets</b>				
Due from other banks	1 725 348	-	802 891	2 528 239
Loans and advances to customers	187 110 712	54 833 378	-	241 944 090
Financial assets available for sale	-	-	49 342 443	49 342 443
Other financial assets	137 907	72 904	100 030	310 841
<b>Total segment assets</b>	<b>188 973 967</b>	<b>54 906 282</b>	<b>50 245 364</b>	<b>294 125 613</b>
<b>Liabilities</b>				
Customer accounts	211 038 893	56 187 130	-	267 226 023
Payables to banks	-	-	1 000 040	1 000 040
Loans from banks and financial institutions	2 008 111	-	-	2 008 111
Issued debt securities	-	-	9 732 032	9 732 032
Subordinated debt	-	-	5 036 484	5 036 484
Other financial liabilities	327 684	32 498	-	360 182
<b>Total segment liabilities</b>	<b>213 374 688</b>	<b>56 219 628</b>	<b>15 768 556</b>	<b>285 362 872</b>

The following table presents segment information on assets of reportable segments for the year ended 31 December 2013:

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

### 13 Segment Analysis (continued)

The following table presents segment information based on operating results for the six months ended 30 June 2014 (unaudited):

<i>(in KZT thousands)</i>	<b>Corporate banking</b>	<b>Private banking services</b>	<b>Investment banking</b>	<b>Elimination</b>	<b>Total</b>
Interest income	9 186 771	3 051 402	1 164 118	-	13 402 291
Interest expense	(4 843 658)	(1 787 186)	(626 112)	-	(7 256 956)
Internal interest income / expense	2 241 877	354 965	(2 592 436)	(4 406)	-
<b>Net interest income</b>	<b>6 584 990</b>	<b>1 619 181</b>	<b>(2 054 430)</b>	<b>(4 406)</b>	<b>6 145 335</b>
Net creation of provision for loan impairment	(2 528 334)	(222 462)	-	-	(2 750 796)
<b>Net interest income after provision for loan impairment</b>	<b>4 056 656</b>	<b>1 396 719</b>	<b>(2 054 430)</b>	<b>(4 406)</b>	<b>3 394 539</b>
Fee and commission income from reportable segments	928 707	58 907	-	-	987 614
Fee and commission expense from reportable segments	(24 356)	(14 359)	(26 032)	-	(64 747)
Gains from trading in foreign currencies	241 851	119 109	58 897	-	419 857
Loss from operations with financial assets available for sale	-	-	(9 705)	-	(9 705)
<b>Segment result</b>	<b>5 202 858</b>	<b>1 560 376</b>	<b>(2 031 270)</b>	<b>(4 406)</b>	<b>4 727 558</b>

The following table presents segment information based on operating results for the six months ended 30 June 2013:

<i>(in KZT thousands)</i>	<b>Corporate banking</b>	<b>Private banking services</b>	<b>Investment banking</b>	<b>Elimination</b>	<b>Total</b>
Interest income	4 692 421	882 407	450 623	-	6 025 451
Interest expense	(1 805 333)	(828 253)	(37 623)	-	(2 671 209)
Internal interest income / expense	579 194	930 293	(22 040)	(1 487 447)	-
<b>Net interest income</b>	<b>3 466 282</b>	<b>984 447</b>	<b>390 960</b>	<b>(1 487 447)</b>	<b>3 354 242</b>
Net creation of provision for loan impairment	(1 361 171)	(176 594)	-	-	(1 537 765)
<b>Net interest income after provision for loan impairment</b>	<b>2 105 111</b>	<b>807 853</b>	<b>390 960</b>	<b>(1 487 447)</b>	<b>1 816 477</b>
Fee and commission income from reportable segments	536 959	56 130	-	-	593 089
Fee and commission expense from reportable segments	(14 249)	(2 664)	(9 674)	-	(26 587)
Gains from trading in foreign currencies	167 851	-	-	-	167 851
Income from operations with financial assets available for sale	-	-	55 832	-	55 832
<b>Segment result</b>	<b>2 795 672</b>	<b>861 319</b>	<b>437 118</b>	<b>(1 487 447)</b>	<b>2 606 662</b>

### 13 Segment Analysis (continued)

Below is the information of income, assets and liabilities of reportable segments.

<i>(in KZT thousands)</i>	<b>Unaudited 30 June 2014</b>	<b>31 December 2013</b>
<b>Total segment assets</b>	<b>294 125 613</b>	<b>190 057 859</b>
Fixed assets	2 349 608	2 269 292
Cash and cash equivalents	26 065 577	29 973 311
Other assets	1 186 459	473 017
<b>Total assets</b>	<b>323 727 257</b>	<b>222 773 479</b>
<b>Total segment liabilities</b>	<b>285 362 872</b>	<b>206 096 324</b>
Deferred tax liability	92 714	92 714
Other liabilities	726 228	233 468
<b>Total liabilities</b>	<b>286 181 814</b>	<b>206 422 506</b>

  

<i>(in KZT thousands)</i>	<b>Unaudited 30 June 2014</b>	<b>Unaudited 30 June 2014</b>
<b>Total segment result</b>	<b>4 727 558</b>	<b>2 606 662</b>
Other operating income	186 561	74 303
Administrative and other operating expenses	(3 542 058)	(2 014 623)
Net creation of provisions for impairment of other assets	(15 857)	(10 600)
<b>Profit before tax</b>	<b>1 356 204</b>	<b>655 742</b>
Income tax expense	(91 622)	(127 618)
<b>Profit for the period</b>	<b>1 264 582</b>	<b>528 124</b>

All income of the Bank is generated in Kazakhstan. Geographical areas of the Bank activities according to the balance are presented in Note 14 to this financial information by reference to the contractor's actual location, i.e. on the basis of economic risk rather than legal risk of the contractor.

### 14 Financial Risk Management

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

#### Credit risk.

The Bank is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Bank developed policies and procedures for management of credit risk, including the setting of limits on the concentration of the portfolio and the establishment of credit committees, which actively monitor the credit risk of the Bank. The Bank's Credit Policy is considered and approved by the Board of Directors.

**Market risk.**

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

**Currency risk.**

Currency risk is a risk of expenses (losses) resulting from changes in foreign currency exchange rates in the implementation of the Bank's operation. The risk of expenses (losses) arises due to revaluation of the Bank's positions by currencies in value terms. The Bank has assets and liabilities in different foreign currencies.

The Bank manages currency risk by setting limits on open positions in financial instruments, maturity and currency that are monitored on a regular basis, reviewed and approved by the authorized body of the Bank.

The Bank controls compliance with the established limits by currencies on daily basis. The table below shows general analysis of the Bank's currency risk as of 30 June 2014 (unaudited):

*(in KZT thousands)*

	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>
Tenge	217 769 829	(184 588 037)	33 181 792
US Dollars	100 862 191	(99 302 012)	1 560 179
Euros	1 295 165	(1 260 666)	34 499
Russian Roubles	223 945	(212 065)	11 880
Pound Sterling	36 006	(90)	35 916
Other	4 054	(2)	4 052
<b>Total</b>	<b>320 191 190</b>	<b>(285 362 872)</b>	<b>34 828 318</b>

The table below shows general analysis of the Bank's currency risk as of 31 December 2013 (unaudited):

*(in KZT thousands)*

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

The above analysis includes only monetary assets and liabilities. The Bank believes that investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

**Interest rate risk.**

The Bank takes risks to the effects of adverse fluctuations in market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank monitors interest rates on financial instruments. The table below summarizes interest rates based on the reports reviewed by key leaders of the Bank:

## 14 Financial Risk Management (continued)

<i>In % p.a.</i>	30 June 2014 Unaudited		
	KZT	USD	Other
<b>Assets</b>			
Cash and cash equivalents	-	0,03%	0,15%
Loans and advances to customers	14,48%	11,78%	6,22%
Financial assets available for sale	4,54%	2,70%	0,00%
<b>Liabilities</b>			
Customer accounts	5,80%	4,37%	2,06%
- term deposits of legal entities	6,19%	3,24%	2,99%
- term deposits of individuals	9,63%	6,02%	2,00%
<b>31 December 2013</b>			
<i>In % p.a.</i>	KZT	USD	Other
<b>Assets</b>			
Cash and cash equivalents	-	0,11%	0,21%
Loans and advances to customers	14,38%	13,69%	5,05%
Financial assets available for sale	3,83%	3,24%	2,37%
<b>Liabilities</b>			
Customer accounts	6,50%	5,40%	2,50%
- term deposits of legal entities	6,00%	2,50%	2,20%
- term deposits of individuals	9,40%	6,50%	2,70%

### Liquidity risk.

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and derivative financial instruments settled by cash. The Bank does not maintain cash resources to the need of one-time meet all of these as the basis of long experience, it is a sufficient degree of accuracy to predict the level of funds required to meet the obligation. The Asset and Liability is managed of liquidity risk.

The Bank's Asset and Liability Committee manages liquidity risk, Treasury Department monitors a daily liquidity position; to ensure adequate liquidity at the Bank, Risk Department makes regular stress tests of liquidity position for various options covering both standard and less favourable market conditions.

The following table shows the distribution of liabilities as at 30 June 2014 and 31 December 2013 to the contractual period remaining in maturity date. The amounts in the table are the contractual undiscounted cash flows, as well as the total amount of commitments to loan issue. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows. In cases when the amount payable is not fixed, the amount is determined by reference to the conditions existing at the balance sheet date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.



## 14 Financial Risk Management (continued)

The maturity analysis in accordance with contract terms of financial instruments as of 30 June 2014 is as follows (unaudited):

(in KZT thousands)

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
<b>Liabilities</b>						
Customer accounts	110 316 341	10 910 971	111 061 918	34 789 218	147 575	267 226 023
Payables to banks	40	-	1 000 000	-	-	1 000 040
Loans from other banks and organizations	-	-	8 111	-	2 000 000	2 008 111
Issued debt securities	-	-	195 569	9 536 463	-	9 732 032
Subordinated debt	-	-	75 950	-	4 960 534	5 036 484
Other financial liabilities	360 182	-	-	-	-	360 182
<b>Total financial liabilities</b>	<b>110 676 563</b>	<b>10 910 971</b>	<b>112 341 548</b>	<b>44 325 681</b>	<b>7 108 109</b>	<b>285 362 872</b>
Undrawn credit lines	46 213 228	-	-	-	-	46 213 228
Guarantees issued	1 013 950	1 567 990	9 576 719	7 290 930	-	19 449 589
<b>Total credit related commitments</b>	<b>47 227 178</b>	<b>1 567 990</b>	<b>9 576 719</b>	<b>7 290 930</b>	<b>-</b>	<b>65 662 817</b>

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

(in KZT thousands)

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

#### 14 Financial Risk Management (continued)

The management believes that cash flows from certain assets and liabilities may differ from those specified in contracts either due to the management's authority to manage cash flows or due to the fact that past experience indicates that timing of cash flows from those financial assets and liabilities may differ from those specified in contracts.

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarized as follows as of 30 June 2014 (unaudited):

(in KZT thousands)

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Cash and cash equivalents	26 065 577	-	-	-	-	26 065 577
Due from other banks	2 528 239	-	-	-	-	2 528 239
Loans and advances to customers	16 649 344	26 337 263	117 229 850	64 429 781	17 297 852	241 944 090
Financial assets available for sale	49 342 443	-	-	-	-	49 342 443
Other financial assets	196 139	216	6 166	8 047	100 273	310 841
<b>Total financial assets</b>	<b>94 781 742</b>	<b>26 337 479</b>	<b>117 236 016</b>	<b>64 437 828</b>	<b>17 398 125</b>	<b>320 191 190</b>
Customer accounts	110 316 341	10 910 971	111 061 918	34 789 218	147 575	267 226 023
Payables to banks	40	-	1 000 000	-	-	1 000 040
Loans from other banks and organizations	-	-	8 111	-	2 000 000	2 008 111
Issued debt securities	-	-	195 569	9 536 463	-	9 732 032
Subordinated debt	-	-	75 950	-	4 960 534	5 036 484
Other financial liabilities	360 182	-	-	-	-	360 182
<b>Total financial liabilities</b>	<b>110 676 563</b>	<b>10 910 971</b>	<b>112 341 548</b>	<b>44 325 681</b>	<b>7 108 109</b>	<b>285 362 872</b>
<b>Net gap at 30 June 2014</b>	<b>(15 894 821)</b>	<b>15 426 508</b>	<b>4 894 468</b>	<b>20 112 147</b>	<b>10 290 016</b>	<b>34 828 318</b>
<b>Cumulative gap at 30 June 2014</b>	<b>(15 894 821)</b>	<b>(468 313)</b>	<b>4 426 155</b>	<b>24 538 302</b>	<b>34 828 318</b>	<b>34 828 318</b>

Excess of “on demand” liabilities and “up to 30 days” liabilities over the amount of relevant assets (a gap) is due to current accounts of the clients.

The Bank management believes that regardless of a material share of funds of the clients with “on demand” and “up to 30 days” status, diversification of those funds by the number and type of depositors as well as the Bank's past experience indicate that those funds form a long-term and stable source of funding for the Bank's operations due to steady balances.

#### 14. Financial Risk Management (continued)

The Bank management believes that match and/or controllable mismatch of placement and maturity as well as interest rates on assets and liabilities is a fundamental aspect of managing the Bank.

Based on the above managing experience and for the purposes of liquidity risk management, the Bank management has set limits on cumulative negative timing gap between assets and liabilities of the Bank with due account for a possible mobilization of liquid assets.

The analysis by expected maturities may be summarised as follows as of 31 December 2013:

(in KZT thousands)

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

Cumulative gap for all terms is positive.

## 15 Capital Management

The Bank actively manages the capital adequacy level for the purpose of protection against the risks specific to the Bank activity. Capital adequacy is controlled by NBRK.

The main objective of managing the capital consists in ensuring the Bank's compliance with external requirements for the capital and maintenance of a high credit rating and standards of the capital adequacy, necessary for implementation and maximizing the shareholder value.

The Bank manages the structure of the capital and corrects it in the light of changes in economic terms and characteristics of risk of activities performed. In comparison with last year, there were no changes in objectives, policies and procedures of capital management; however, the Board of Directors pays attention to this issue on a regular basis.

Under the current capital requirements established by the NBRK, banks must maintain a ratio of Tier 1 capital and assets (K1) not less than 6 per cent (2013: 6 percent), and the ratio of total regulatory capital to assets, risk-weighted (K2) not lower than 12 percent (2013: 12 percent).

As of 30 June 2014 the prudential regulations established by the NBRK are performed by the compliance (unaudited). As at 30 June, the Bank ratios were the following: k1.1 – 11,1%, k1.2 – 13,6%, k2 – 16,1%.

## 16 Contingent Liabilities

### *Legal Proceedings*

The Bank may be a potential target of various legal proceedings as a result of its operations. As at the reporting date the Bank was not involved in any legal proceedings, therefore no provision was formed for the loss resulting from legal proceedings.

### *Credit related commitments.*

The Bank has obligations on granting credit resources. The Bank provides financial guarantees and opens letters of credit in order to secure obligations of the clients to the third parties.

When providing contingent liabilities, financial guarantees and letters of credit, the Bank applies the same policies and risk management procedures as when granting the credits to the clients.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect of commitments to extend credit, the Bank is potentially exposed to loss in an amount which equals to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

<i>(in KZT thousands)</i>	<b>Unaudited</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>
Undrawn credit lines	46 213 228	24 761 630
<i>including cash-secured</i>	38 441	60 883
Guarantees issued	19 449 589	25 983 818
<i>including cash-secured</i>	4 490 011	6 140 606
<b>Total credit related commitments</b>	<b>65 662 817</b>	<b>50 745 448</b>

Total highly liquid collaterals for guarantees as at 30 June 2014 amounted to KZT 6 291 798 thousand.

Many of obligations specified may be terminated without their partial or full execution. Therefore, the obligations stated above, do not represent expected cash outflow. As at 30 June 2014 and 31 December 2013 the Bank had no customers commitments whereof exceed 10% of total commitments.

## 17 Fair Value of Financial Instruments

The following are the carrying amount and fair value of financial assets and liabilities as at 30 June 2014:

(in KZT thousands)

	Loans and receivables	Available-for-sale	Other, carried at amortized cost	Carrying amount	Fair value
<b>Assets</b>					
Cash and cash equivalents	26 065 577	-	-	26 065 577	26 065 577
Due from other banks	2 528 239	-	-	2 528 239	2 528 239
Loans and advances to customers	241 944 090	-	-	241 944 090	242 216 306
Financial assets available for sale	-	49 342 443	-	49 342 443	49 342 443
Other financial assets	210 811	100 030	-	310 841	310 841
<b>Total assets</b>	<b>270 748 717</b>	<b>49 442 473</b>	<b>-</b>	<b>320 191 190</b>	<b>320 463 406</b>
<b>Liabilities</b>					
Customer accounts	-	-	267 226 023	267 226 023	267 226 023
Payables to banks	-	-	1 000 040	1 000 040	1 000 040
Loans from banks and financial institutions	-	-	2 008 111	2 008 111	2 008 111
Issued debt securities	-	-	9 732 032	9 732 032	9 765 569
Subordinated debt	-	-	5 036 484	5 036 484	5 038 180
Other financial liabilities	-	-	360 182	360 182	360 182
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>285 362 872</b>	<b>285 362 872</b>	<b>285 398 105</b>

The following are the carrying amount and fair value of financial assets and liabilities as at 31 December 2013:

(in KZT thousands)

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

## 17 Fair Value of Financial Instruments (continued)

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between the stakeholders, other than a forced sale or liquidation. The best confirmation of fair value is a quoted price for a financial instrument in an active market.

Fair value of a financial instrument was estimated by the Bank by reference to available market information, if any, and appropriate valuation techniques. However, interpretation of market information to measure fair value requires the use of judgements. The Kazakhstan economy continues to display specific features inherent to emerging markets, and economic environment still restricts the amounts of activity on financial markets.

Market quotations may be outdated or may reflect sales at cut prices and thus may not be indicative of fair value of financial instruments. To measure fair value of financial instruments the management uses all available market information and applies judgements.

The following are fair value hierarchy levels for financial instruments at fair value:

<i>(in KZT thousands)</i>	Unaudited 30 June	31 December 2013
	2014	
Financial assets	Active market	Active market
	quotations (Level 1)	quotations (Level 1)
<b>Investment securities available for sale</b>		
Government securities of the RK Ministry of Finance	34 770 111	34 705 664
NBRK notes	-	1 999 308
Securities of SOVEREIGN WEALTH FUND "SAMRUK KAZYNA"	303 716	303 585
Securities of international financial institutions	1 786 078	1 937 845
Foreign securities	6 895 101	1 682 622
Corporate bonds	5 587 437	5 481 265
<b>Total financial assets at fair value</b>	<b>49 342 443</b>	<b>46 110 289</b>

**Methods and assumptions used in measuring the fair value.** Fair value is the amount for which a financial instrument could be exchanged in a current transaction between the stakeholders, other than a forced sale or liquidation. The best confirmation of fair value is a quoted price for a financial instrument in an active market. If there are no quoted prices in an active market, the Bank uses various evaluation techniques.

**Financial instruments at fair value.** Investment securities available for sale are carried in the balance sheet at fair value. The fair value is measured by reference to quoted market prices.

**Cash and cash equivalents** are carried at amortized cost, which is approximately equal to their current fair value.

**Loans and receivables carried at amortized cost.** Fair values of instruments with floating interest rate are usually equal to their carrying amounts. Estimated fair value of instruments with fixed interest rate is based on the discounted cash flow method using current interest rates on the market of borrowed funds for new instruments assuming similar credit risk and similar maturity.

**Customer deposits.** Customer deposits are carried at amortized cost. The fair value is measured on the basis of average market prices.

**Derivative financial instruments.** All derivative financial instruments are carried at fair value as assets, if the fair value of those instruments is positive, and as liabilities if the fair value is negative. The fair value is measured by reference to available market prices.

## 18 Related Party Transactions

Parties shall be considered related if they are under joint control, if one of them is in the position to control the other or render significant influence on operational and financial decisions made by the other party. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

As of 30 June 2014 and 31 December 2013, the outstanding balances with related parties were as follows:

<i>(in KZT thousands, unless otherwise stated)</i>	Unaudited 30 June 2014			31 December 2013				
	% rate	Shareholders	Board members	Others	% rate	Shareholders	Board members	Others
Total loans and advances to customers - KZT	12%-21%	223 515	-	1 502 261	8%-21%	223 515	-	1 460 557
Total loans and advances to customers - EUR	5%	-	4 169	-	-	-	-	-
Customer accounts, current accounts	-	40 057	29 106	129 030	-	19 895	28 519	306 595
Customer accounts, deposits - KZT	5,5%-10%	66 118	8 110	850 035	3%-10%	23 284	28 733	1 740 389
Customer accounts, deposits - USD	4,5%-7%	57 927	1 964 022	731 584	4,5%-7%	18 658	1 763 500	609 300
Customer accounts, deposits - EUR	2%	-	-	75 390	2%	-	-	27 615
Undrawn credit lines in KZT	14%-14,5%	-	-	79 760	5%-22%	-	43 467	30 622
Undrawn credit lines in USD	10%-22%	-	9 176	9 176	-	-	-	-
Undrawn credit lines in EUR	5%	-	30 915	-	-	-	-	-
Guarantees issued								

The following are income and expense items with related parties for the six months ended 30 June 2014 and for the year ended 31 December 2013

<i>(in KZT thousands)</i>	Unaudited 30 June 2014			Unaudited 30 June 2013		
	Shareholders	Board members	Others	Shareholders	Board members	Others
Interest income	13 411	9	112 671	5 442	834	228 460
Interest expense	4 720	70 397	55 537	2 760	40 393	126 894
Administrative and other operating expenses, including:	-	86 214	-	-	68 260	-
Remuneration of the Board of Directors	-	57 345	-	-	44 482	-
Remuneration of the Management Board	-	28 869	-	-	23 778	-

## 19 Subsequent Events

Prior to the signing date of this condensed interim financial information the management has not identified any material events that require additional disclosures.

Chairman of the Board



M.K. Zhakubayeva

Chief Accountant

A.A. Dauletbekova