

Explanatory notes to financial statements for the period ended as of March 31, 2014
“Bank RBK” JSC

1. Introduction

“BankRBK” JSC is established as a commercial bank in a legal form of a joint-stock company in accordance with the legislative requirements of the Republic of Kazakhstan. The Bank has been registered and has legal address on the territory of the Republic of Kazakhstan.

The Bank is operating from March 1992 and was established as the private bank “Meken”. In April 1996 the Bank was reorganized as “Alash-Bank” Close Joint-Stock Company. In May 2005 the Bank was re-registered into Joint Stock Company in accordance with the legislative requirements of the Republic of Kazakhstan. As of August 22, 2005 the Bank was renamed as “Kazakhstan Innovation Commercial Bank” JSC or “KAZINCOMBANK” JSC. As of September 23, 2011 the Bank was renamed to “Bank RBK” JSC.

The Bank’s shareholders are physical persons and legal entities. The list of shareholders owning 5 and more per cent of the total number of placed common stocks as of March 31, 2014 and December 31, 2013 is provided below:

Shareholders	March 31, 2014		December 31, 2013	
	Share, %	Beneficiary share (%)	Share, %	Beneficiary share (%)
Lyukhudzyayev Farid	13,8%		11,0%	
Zhauarova G.K.	6,9%		11,0%	
"INTERTRANS C.A." LLP	9,0%		8,9%	
Khamitova A.R.		100%		100,0%
Yelgeldin Zh.M.			-	
"VELTON" LLP	9,0%		8,9%	
Nurlybayev M.M.		100%		100,0%
Kim G.S.	7,9%		8,4%	
Dzhumayev T.T.	7,8%		8,3%	
Mamedov E.V.	7,8%		8,3%	
"ALEM TRADING COMMERCE" LLP	7,4%		0,0%	
Umarov A.S.		100%		-
"NORTH WIND" LLP	7,1%		3,8%	
Mukazhanova R.S.		100%		-
Mazhitova D.A.	0,0%		5,2%	
Utepbergenov M.M.	5,6%		9,0%	
Other with shareholding up to 5%	17,7%		17,2%	
Total	100,0%		100,0%	

The list of shareholders owning 5 and more per cent of the total number of placed preferred stocks as of March 31, 2014 and December 31, 2013 is provided below:

Shareholders	March 31,	December 31,
	2014	2013
	Share, %	Share, %
"CITY GARANT INVESTMENTS" LLP	44,2%	44,2%
"VELTON" LLP	22,2%	22,2%
"NORTH WIND" LLP	11,1%	11,1%
"ALEM TRADING COMMERCE" LLP	11,1%	11,1%
"GEFEST COMMERCE" LLP	11,1%	-
Other with shareholding up to 5%	0,30%	11,4%
Total	100,0%	100,0%

2. Main Representation Principles

Statement of conformance to the IFRS. The Interim Financial Statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”).

Basis for cost assessment. These financial statements were prepared on the basis of historical (original) cost, with the exception of financial instruments at fair value, change of which are recorded as part of profit or loss for the period, and financial assets available for sale recorded at fair value, as well as buildings and land recorded at revalued price.

Functional currency and representation currency of the statements. Functional currency of the Bank is the Kazakhstan tenge (hereinafter – “tenge”), which, being the national currency of the Republic of Kazakhstan, represents in the best way the economic substance of the most of transactions made by the Bank and related circumstances affecting its activity.

The tenge is also a representation currency of details recorded in these financial statements. All information represented in tenge is rounded up within the accuracy of whole thousand tenge.

Use of professional opinions, accounting estimates and assumptions. The management uses a number of estimates and assumptions in relation to representation of assets and liabilities and disclosure of contingent assets and liabilities when preparing these financial statements in accordance with requirements of the IFRS. Actual results may differ from mentioned estimates.

In order to represent financial condition of the Bank the accounting estimates and opinions on provision for impairment of loans and accounts receivable, and other financial assets are considered important.

3. Main Principles of Accounting Policy

When preparing these interim financial statements the same accounting principles and calculation methods as those used for drawing-up of the annual financial statements for the year ended as of December 31, 2013 have been used.

4. Cash and cash equivalents

(in thousand tenge)

	March 31, 2014	December 31, 2013
Cash on hand	6 363 764	7 779 567
Balances under accounts in the NB RK	26 780 765	15 360 537
"Nostro" accounts with other banks:		
- with credit rating from A to A-	6 293 545	6 256 066
- with credit rating BBB-	542 998	80 094
- with credit rating from BB to BB-	263 720	216 744
- with credit rating from B+ to B-	73 051	280 303
- with credit rating B3 and more	16 866	-
Total "Nostro" accounts in other banks	7 190 180	6 833 207
Total cash and cash equivalents	40 334 709	29 973 311

As at 31 March 2014 the compulsory provisions included into balances on accounts with the NB RK amount to 4 282 390 thousand tenge (31 December 2013 – 3 864 964 thousand tenge).

The credit ratings are presented according to the scale of credit agencies – Fitch, S&P, and Moody's. As at the reporting date the cash and cash equivalents are not impaired or outstanding.

As at 31 March 2014 there is one bank, which is holding more than 10% of capital with a balance amounting to 4 324 306 thousand tenge (31 December 2013 – 1 bank with a balance amounting to 4 681 163 thousand tenge).

5. Loans and advances to customers

<i>(in thousand tenge)</i>	March 31, 2014	December 31, 2013
Corporate loans	118 576 162	119 173 227
Retail loans	46 819 914	29 030 075
Loans and advances to customers before provisions for devaluation	165 396 076	148 203 302
Provisions for credit portfolio devaluation	(5 224 485)	(4 956 583)
Total loans and advances to customers	160 171 591	143 246 719

Analysis of changes in provision for impairment broken down by classes of credits granted to clients for the period ended on 31 March 2014 is provided below:

<i>(thousand tenge)</i>	Corporate Loans	Retail Loans	Total
As of January 1, 2014	(4 353 112)	(603 471)	(4 956 583)
Net provisions	(1 395 970)	126 118	(1 269 852)
Debt write-off against provisions	1 163 796	-	1 163 796
Exchange rate difference	(159 872)	(1 974)	(161 846)
Provisions for credit portfolio devaluation as of March 31, 2014	(4 745 158)	(479 327)	(5 224 485)

Analysis of credit quality as of March 31, 2014 is given below:

<i>(thousand tenge)</i>	Loans before provisions for devaluation	Provision for devaluation	Loans minus provisions for devaluation	Provisions to loans amount ratio before provisions deduction, %
loans to large-scale companies				
Individual depreciated loans				
Undue	1 354 178	(478 295)	875 883	35,32
- overdue for a period from 181 to 360 days	197 258	(179 505)	17 753	91,00
Total individually depreciated loans	1 551 436	(657 800)	893 636	42,40
Loans depreciated on joint basis				
Undue	51 502 792	(519 034)	50 983 758	1,01
- overdue for less than 30 days	1 279 628	(867)	1 278 761	0,07
Total loans depreciation of which is assessed on joint basis	52 782 420	(519 901)	52 262 519	0,98
Total loans to large-scale companies	54 333 856	(1 177 701)	53 156 155	2,17
Loans to small and medium-scale companies				
Individual depreciated loans				
Undue	2 397 386	(708 659)	1 688 727	29,56
- overdue for a period from 91 to 180 days	306 246	(216 553)	89 693	70,71
- overdue for a period from 181 to 360 days	2 449 038	(1 506 552)	942 486	61,52
- more than 360 days	616 363	(538 954)	77 409	87,44
Total individually depreciated loans	5 769 033	(2 970 718)	2 798 315	51,49
Loans depreciation of which is assessed on joint basis				
Undue	52 644 564	(551 536)	52 093 028	1,05
- overdue for less than 30 days	4 866 329	(33 718)	4 832 611	0,69
- overdue for a period from 30 to 90 days	719 347	(10 887)	708 460	1,51
- overdue for a period from 91 to 180 days	18 138	(397)	17 741	2,19
- overdue for a period from 181 to 360 days	224 895	(201)	224 694	0,09
Total loans depreciation of which is assessed on joint basis	58 473 273	(596 739)	57 876 534	1,02
Total loans to small and medium-scale companies	64 242 306	(3 567 457)	60 674 849	5,55
Total corporate loans	118 576 162	(4 745 158)	113 831 004	4,00
Consumer and other loans to physical persons				
Loans depreciation of which is assessed on joint basis				
Undue	41 461 562	(53 892)	41 407 670	0,13
- overdue for less than 30 days	3 403 094	(4 417)	3 398 677	0,13
- overdue for a period from 30 to 90 days	1 332 233	(42 924)	1 289 309	3,22
- overdue for a period from 91 to 180 days	222 386	(60 294)	162 092	27,11
- overdue for a period from 181 to 360 days	150 752	(78 010)	72 742	51,75
- more than 360 days	249 887	(239 790)	10 097	95,96
Total loans depreciation of which is assessed on joint basis	46 819 914	(479 327)	46 340 587	1,02
Total consumer and other loans to physical persons	46 819 914	(479 327)	46 340 587	1,02

Analysis of credit quality as at 31 December 2013 is given below:

<i>(in thousand tenge)</i>	Loans before provisions for devaluation	Provision for devaluation	Loans minus provisions for devaluation	Provisions to loans amount ratio before provisions deduction, %
Loans to large scale companies				
Individual depreciated loans				
Undue	1 324 735	(467 944)	856 791	35,32
Total individual depreciated loans	1 324 735	(467 944)	856 791	35,32
Loans depreciation of which is assessed on joint basis				
Undue	57 621 546	(516 307)	57 105 239	0,90
- overdue for less than 30 days	514 939	(206)	514 733	0,04
- overdue for a period from 30 to 90 days	482 325	(193)	482 132	0,04
- overdue for a period from 91 to 180 days	194 763	(4 265)	190 498	2,19
Total loans depreciation of which is assessed on joint basis	58 813 573	(520 971)	58 292 602	0,89
Total loans to large companies	60 138 308	(988 915)	59 149 393	1,64
Loans to small and medium-scale companies				
Individual depreciated loans				
- overdue for a period from 30 to 90 days	1 955 994	(575 379)	1 380 615	29,42
- overdue for a period from 91 to 180 days	773 404	(252 663)	520 741	32,67
- overdue for a period from 181 to 360 days	1 746 576	(1 181 211)	565 365	67,63
- more than 360 days	806 358	(806 358)	-	100,00
Total individual depreciated loans	5 282 332	(2 815 611)	2 466 721	53,30
Total loans depreciation of which is assessed on joint basis				
Undue	51 214 598	(521 833)	50 692 765	1,02
- overdue for less than 30 days	768 872	(13 637)	755 235	1,77
- overdue for a period from 30 to 90 days	574 114	(12 042)	562 072	2,10
- overdue for a period from 91 to 180 days	1 195 003	(1 074)	1 193 929	0,09
Total loans depreciation of which is assessed on joint basis	53 752 587	(548 586)	53 204 001	1,02
Total Loans to small and medium-scale companies	59 034 919	(3 364 197)	55 670 722	5,70
Total corporate loans	119 173 227	(4 353 112)	114 820 115	3,65
Consumer and other loans to physical persons				
Individual depreciated loans				
- overdue for a period from 30 to 90 days	207 801	(207 801)	-	100,00
Total individual depreciated loans	207 801	(207 801)	-	100,00
Total loans depreciation of which is assessed on joint basis				
Undue	26 556 164	(34 522)	26 521 642	0,13
- overdue for less than 30 days	1 008 663	(1 535)	1 007 128	0,15
- overdue for a period from 30 to 90 days	668 363	(27 252)	641 111	4,08
- overdue for a period from 91 to 180 days	285 432	(44 914)	240 518	15,74
- overdue for a period from 181 to 360 days	253 234	(237 029)	16 205	93,60
- more than 360 days	50 418	(50 418)	-	100,00
Total loans depreciation of which is assessed on joint basis	28 822 274	(395 670)	28 426 604	1,37
Total consumer and other loans to physical persons	29 030 075	(603 471)	28 426 604	2,08

5. Loans and advances to customers (continued)

Information on collateral as of March 31, 2014 is given below:

<i>(thousand tenge)</i>	Corporate loans	Retail loans	Total	%
Unsecured loans	237 589	1 527 442	1 765 031	1,1%
Loans, secured by:				
- assets to be received in future under contracts	4 459 728	-	4 459 728	2,7%
- real estate	13 812 654	39 021 051	52 833 705	31,9%
- third parties guarantees	31 851 261	1 548 176	33 399 437	20,2%
- goods in circulation and goods to be received in future	6 877 852	-	6 877 852	4,2%
- monetary funds	1 346 495	493 976	1 840 471	1,1%
- multi-pledge	6 290 764	-	6 290 764	3,8%
- transport	44 882	237 768	282 650	0,2%
- other assets	53 654 937	3 991 501	57 646 438	34,9%
Total loans and advances to customers	118 576 162	46 819 914	165 396 076	100%

The total collateral in the form of cash as for corporate loans as of March 31, 2014 amounts to 1 429 243 thousand tenge, loans of natural persons – 1 471 492 thousand tenge.

Information on collateral as of December 31, 2013 is given below:

<i>(thousand tenge)</i>	Corporate credits	Credits to physical entities	Total	%
Unsecured loans	336 259	1 686 249	2 022 508	1,4%
Loans, secured by:				
- Assets received in future under contracts	9 778 635	-	9 778 635	6,6%
- real estate	20 239 757	21 961 615	42 201 372	28,5%
- third parties guarantees	28 162 228	3 350 408	31 512 636	21,3%
- goods in circulation and goods to be received in future	5 842 658	-	5 842 658	3,9%
- monetary funds	3 699 678	1 533 999	5 233 677	3,5%
- multi-pledge	3 197 210	72 684	3 269 894	2,2%
- transport	34 656	239 366	274 022	0,2%
- other assets	47 882 146	185 754	48 067 900	32,4%
Total loans and advances to customers	119 173 227	29 030 075	148 203 302	100%

<i>(thousand tenge)</i>	March 31, 2014		December 31, 2013	
	thousand tenge	%	thousand tenge	%
Loans to physical persons				
Consumer loans	43 457 092	93%	25 737 572	89%
Mortgage loans	3 218 827	7%	3 136 181	11%
Loans for automobile purchase	143 995	0%	156 322	1%
Total loans to physical persons before deduction of loan loss provision	46 819 914	100%	29 030 075	100%

As of March 31, 2014 the Bank has 18 borrowers or groups of related borrowers (31 December 2013: 18), credits to which take more than 10% of capital. The total balances on credits of mentioned borrowers as at 31 March 2014 amount to 67 880 579 thousand tenge (31 December 2013: 59 820 580 thousand tenge).

When evaluating impairment of loans and advances to customers, the Bank uses the following key assumptions and opinions:

- The credit portfolio contains individually significant (debt amount exceeds 1 000 000 thousand tenge– for corporate clients, exceeding 200 000 thousand tenge– for retail clients) credits, which are considered individually upon determination of provisions for devaluation.
- Individually insignificant loans of legal entities, which evidence of impairment, are considered on individual basis.
- Loans not relating to individually significant and not evidencing impairment shall be combined into groups with similar characteristics of credit risk and jointly estimated for impairment.
- Estimation shall be made broken down by corporate (by branches) and retail clients.
- In order to find out evidences of impairment the Bank carries out a complex analysis of financial position of corporate clients. In case there are not objective evidences of devaluation, a ratio of collective impairment of a group similar by credit risk characteristic shall be applied to individually significant credits.
- Ratio of collective devaluations shall be considered on the basis of historical data of the Bank and determined on the basis of Roll-Rate migration model.

6. Financial assets available for sale

(thousand tenge)

	March 31, 2014	December 31, 2013
Government bonds of the Republic of Kazakhstan		
State securities of the Ministry of Finance of the RK	38 891 604	34 705 664
Notes of the National Bank of the Republic of Kazakhstan	-	1 999 308
Securities of the National Welfare Fund "Samruk-Kazyna"	299 259	303 585
Total state bonds	39 190 863	37 008 557
State bonds of foreign states		
Securities of international financial institutions	1 704 099	1 937 845
Securities of foreign states	6 766 367	1 682 622
Total state bonds of foreign states	8 470 466	3 620 467
Corporate bonds	5 841 710	5 481 265
Total debt securities	53 503 039	46 110 289

6. Financial assets available for sale (continued)

Analysis of debt securities as per credit quality as of March 31, 2014 is given below:

<i>(in thousand tenge)</i>	State securities of the MF RK	Notes of the NBRK	Securities of the NWF "Samruk- Kazyna"	Securities of IFI	Securities of foreign states	Corporate bonds	Total
Undue and nondevaluated							
Fitch: "AAA"				572 711	4 810 839		5 383 550
Fitch: "BBB+"	38 891 604					148 580	39 040 184
Fitch: "BBB"						2 799 610	2 799 610
Fitch: "BBB-"						1 455 173	1 455 173
Standard & Poor" s: "BBB+"			299 259				299 259
Standard & Poor" s: "BBB"				187 140	1 955 528		2 142 668
Standard & Poor" s: "BB+"						540 908	540 908
Moody's: A3				944 248			944 248
Moody's: "Ba3"						496 472	496 472
Moody's: Baa2						400 967	400 967
Total undue and nondevaluated	38 891 604	-	299 259	1 704 099	6 766 367	5 841 710	53 503 039

Analysis of debt securities as for credit quality as of December 31, 2013 is given below:

<i>(in thousand tenge)</i>	State securities of the MF RK	Notes of the NBRK	Securities of the NWF "Samruk- Kazyna"	Securities of IFI	Securities of foreign states	Corporate bonds	Total
Undue and nondevaluated							
Fitch: "AAA"				939 772			939 772
Fitch: "BBB"						2 135 230	2 135 230
Fitch: "BBB-"						329 891	329 891
Moody's: Baa1					1 682 622	1 010 802	2 693 424
Moody's: "Baa3"						1 531 105	1 531 105
Moody's: A3				998 073			998 073
Moody's: "Ba3"						474 237	474 237
Standard & Poor" s: "BBB+"	34 705 664	1 999 308	303 585				37 008 557
Total undue and nondevaluated	34 705 664	1 999 308	303 585	1 937 845	1 682 622	5 481 265	46 110 289

7. Other assets

(in thousand tenge)

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Financial assets		
Investments	100 030	100 030
Prepayment of interests on deposits	42 999	47 702
Other financial assets	171 795	107 695
Provisions for devaluation	(17 313)	(24 874)
Total other financial assets	<u>297 511</u>	<u>230 553</u>
Non-financial assets		
Advance payment for goods and services	358 880	199 072
Prepayment of capital costs	84 771	93 774
Commodities and materials	27 582	8 919
Other non-financial assets	175 682	171 352
Provisions for devaluation	(-)	(100)
Total other non-financial assets	<u>646 915</u>	<u>473 017</u>
Total other assets	<u>944 426</u>	<u>703 570</u>

8. Customers accounts

(in thousand tenge)

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
State and public organizations		
Current / payment accounts	47 002 254	38 058 757
Term deposits	31 433 135	34 813 912
Deposits provided as security under obligations	348 616	463 792
Other legal entities		
Current / payment accounts	30 862 896	34 740 926
Term deposits	44 812 754	36 651 790
Deposits provided as security under obligations	11 098 908	15 341 187
- Other deposits	27 266	6 005
Physical persons		
Current accounts/call accounts	4 625 516	1 775 818
Term deposits	47 995 552	30 333 384
Deposits provided as security under obligations	1 832 059	1 733 566
- Other deposits	798	2 277
Total customers funds	<u>220 039 754</u>	<u>193 921 414</u>

As at 31 March 2014 the Bank had 19 clients with balances exceeding 10% of capital of the Bank (as at 31 December 2014 – 19). The total balance of funds of such clients amounted to 125 671 051 thousand tenge (as at 31 December 2013 - 110 163 830 thousand tenge).

9. Other liabilities

(in thousand tenge)

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Financial liabilities		
Creditors on banking operations	153 397	53 847
Other financial liabilities	40 648	29 284
Total other financial liabilities	<u>194 045</u>	<u>83 131</u>
Non-financial liabilities		
Provision for vacations	190 996	145 700
Advance payment for goods and services	4 391	16 978
Prepayment under capital costs	2 897	558
Other non-financial liabilities	283 099	70 232
Total non-financial liabilities	<u>481 383</u>	<u>233 468</u>
Total other liabilities	<u>675 428</u>	<u>316 599</u>

10. Share capital

<i>(thousand tenge, unless otherwise indicated)</i>	Outstanding shares (thousand pieces)		
	Ordinary shares	preferred shares	
As at 1 January, 2013	1 450 000	10 000 000	4 500 000
Share issue	-	-	-
As at 31 December, 2013	1 450 000	10 000 000	4 500 000
Share issue	600 000	6 000 000	-
As at 31 March, 2014	2 050 000	16 000 000	4 500 000

The stated authorized capital stock of the Bank as at 31 March 2014 included 1 600 000 ordinary shares and 450 000 preferred shares. As at the reporting date the ordinary shares were paid to the amount of 16 000 000 thousand tenge and preferred shares were paid to the amount of 4 500 000 thousand tenge.

As at 31 March 2014 and 31 December 2013 par value of one ordinary share entitling to one vote amounted to 10 000 tenge. Par value of one preferred share amounted to 10 000 tenge, as well.

11. Earnings per share

The book value of one ordinary and preferred share shall be calculated by the Bank in accordance with Appendix No.6 to the Listing rules approved by decision of the Stock Exchange Board of "Kazakhstan Stock Exchange" JSC (Minutes of the meeting No.22 dated 04 October 2010)

Book value of one ordinary and one preferred share as of March 31, 2014 and December 31, 2013 is stated below:

Stock type	March 31, 2014			December 31, 2013		
	Number of outstanding shares	Net assets, thousand tenge	Book value of one stock, tenge	Number of outstanding shares	Net assets, thousand tenge	Book value of one stock, tenge
Common	1 600 000	17 813 926	11 134	1 000 000	11 583 619	11 584
Preferred	450 000	4 500 000	10 000	450 000	4 500 000	10 000

Calculation of basic earning per one share held by shareholders is provided as follows:

<i>(in thousand tenge, unless otherwise indicated)</i>	March 31, 2013	December 31, 2013
Income for the year	417 480	1 521 039
Minus dividends which may be paid to preferred shareholders in case of full income distribution	369 000	306 000
Net income due to holders of common stocks	48 480	1 215 039
Average - weighted number of common stocks for calculation of basic and diluted earnings per share	1 177 500	1 000 000
Basic and diluted earnings per share for incomes due to Bank's shareholders (in tenge per share)	41	1 215

12. Interest incomes and expenses

(in thousand tenge)

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Interest incomes		
Loans and advances to customers	5 253 006	2 376 644
Financial assets available for sale	502 844	147 856
Reverse repo transactions	123 119	6 566
Correspondent accounts in other banks	948	2 121
Funds in other banks	6 032	2 911
Total interest incomes	<u><u>5 885 949</u></u>	<u><u>2 536 098</u></u>
Interest expenses		
Term deposits	2 937 388	1 030 771
Repo transactions	-	28
Issued bonds/ securities	186 074	-
Subordinated debt	117 906	-
Total interest expenses	<u><u>3 241 368</u></u>	<u><u>1 030 799</u></u>
Net interest incomes	<u><u>2 644 581</u></u>	<u><u>1 505 299</u></u>

13. Fee incomes and expenses

(thousand tenge)

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Fee and commission incomes		
Cash transactions	109 979	61 764
Foreign currency purchase-sale transactions	49 413	28 243
Payment operations	35 138	22 375
Guarantees issued	206 993	138 933
Others	39 549	12 463
Total fee and commission incomes	<u><u>441 072</u></u>	<u><u>263 778</u></u>
Fee and commission expenses		
Payment operations	10 516	4 239
Agent services	3 494	1 181
Securities purchase-sale transactions	7 317	2 391
Others	12 916	2 161
Total fee and commission expenses	<u><u>34 243</u></u>	<u><u>9 972</u></u>
Net commission incomes	<u><u>406 829</u></u>	<u><u>253 806</u></u>

14. Segment analysis

Basic form of provision of information representation as per segments of the Banks activity is provision of information as per operating segments.

The operating segments are the company's elements carrying out financial and economic activity allowing to get incomes or providing for incurring of some expenses, whose operating results are on the regular basis analysed by the official responsible for operating decisions and with respect to which separate financial information is available. A person in charge of making operating decisions may be a person or a group of persons engaged in allocation of funds and evaluation of results of activity of a company. The functions of a person in charge of operating decision making shall be performed by the Bank's Management Board. In order to make operating decisions and to allocate funds the Management Board shall use financial information based on the IFRS.

Description of products and services being sources of incomes of reporting segments

The Bank's operations are arranged in three business segments:

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

Retail banking operations representing the private banking services, private current accounts of clients, savings, deposits, and consumer loans.

Investment activity with respect to assets and liabilities required for support of liquidity, requirement to the Bank financing, asset and liability management.

The table below gives segment information on assets of reporting segments for the period ended on 31 March 2014:

<i>(in thousand tenge)</i>	Corporate banking transactions	Retail banking services	Investment activities	Total
Assets				-
Amounts due from other banks	-	-	1 085 033	1 085 033
Loans and advances to customers	113 831 004	46 340 587	-	160 171 591
Available for sale financial assets	-	-	53 503 039	53 503 039
Other financial assets	151 564	45 917	100 030	297 511
Total assets of segments	113 982 568	46 386 504	54 688 102	215 057 174
Liabilities				
Customers accounts	165 585 829	54 453 925	-	220 039 754
Credit institutions accounts	40	-	-	40
Debt securities issued	-	-	9 816 228	9 816 228
Subordinated debt	-	-	5 154 282	5 154 282
Other financial liabilities	169 510	24 535	-	194 045
Total liabilities of segments	165 755 379	54 478 460	14 970 510	235 204 349

The table below gives segment information on assets of reporting segments for the year ended on 31 December 2013:

<i>(in thousand tenge)</i>	Corporate banking transactions	Retail banking services	Investment activities	Total
Assets				-
Amounts due from other banks	-	-	470 298	470 298
Loans and advances to customers	114 820 115	28 426 604	-	143 246 719
Available for sale financial assets	-	-	46 110 289	46 110 289
Other financial assets	76 228	54 295	100 030	230 553
Total assets of segments	114 896 343	28 480 899	46 680 617	190 057 859
Liabilities				
Customers accounts	160 076 369	33 845 045	-	193 921 414
Credit institutions accounts	40	-	-	40
Debt securities issued	-	-	7 055 362	7 055 362
Subordinated debt	-	-	5 036 377	5 036 377
Other financial liabilities	83 789	-	658	83 131
Total liabilities of segments	160 160 198	33 844 387	12 091 739	206 096 324

The table below gives segment information on results of activity for the period ended on 31 March 2014. The bank has adopted the transfer pricing system whereby each business segment (depending on surplus or deficit of funds for financing its active operations) has either transfer income or transfer expense at previously fixed transfer rates broken down by currency and term. This system allows the bank having the view of allocation of interest margin to all transactions, as well as determining return of each business segment.

14. Segment analysis (continued)

	Corporate banking transactions	Retail banking services	Investment activities	Elimination	Total
<i>(in thousand tenge)</i>					
Interest incomes	3 994 820	1 258 186	632 943		5 885 949
Interest expenses	(2 178 400)	(758 988)	(303 980)		(3 241 368)
<i>Internal interest income/expenses</i>	<i>2 666 114</i>	<i>557 753</i>	<i>(2 575 768)</i>	<i>648 099</i>	
Net interest incomes	4 482 534	1 056 951	(2 246 805)	648 099	2 644 581
Net provisions for devaluation of interest-bearing assets	(1 395 970)	126 118			(1 269 852)
Net interest income after provisions for devaluation of interest-bearing assets	3 086 564	1 183 069	(2 246 805)	648 099	1 374 729
Fee and commission income	401 393	39 679			441 072
Fee and commission expense	(17 496)	(5 631)	(11 116)		(34 243)
Net income from foreign currency transactions	193 592	65 992	4 750		264 334
Net income from financial assets available-for-sale			10 595		10 595
Results of the segment	3 664 053	1 283 109	(2 242 576)	648 099	2 056 487

The table below gives segment information on results of activity for the period ended on 31 March 2013:

	Corporate banking transactions	Retail banking services	Investment activities	Elimination	Total
<i>(in thousand tenge)</i>					
Interest incomes	2 003 822	377 854	154 422		2 536 098
Interest expenses	(685 303)	(345 468)	(28)		(1 030 799)
<i>Internal interest income/expenses</i>	<i>234 679</i>	<i>843 767</i>	<i>(16 822)</i>	<i>(1 061 624)</i>	<i>-</i>
Net interest incomes	1 553 198	876 153	137 572	(1 061 624)	1 505 299
Net provisions for devaluation of interest-bearing assets	(481 087)	(51 800)	-	-	(532 887)
Net interest income after provisions for devaluation of interest-bearing assets	1 072 111	824 353	137 572	(1 061 624)	972 412
Fee and commission income	238 720	25 058	-		263 778
Fee and commission expense	(8 479)	(1 474)	(19)		(9 972)
Net income from foreign currency transactions	70 350				70 350
Net income from financial assets available-for-sale	-	-	265		265
Results of the segment	1 372 702	847 937	137 818	(1 061 624)	1 296 833

14. Segment analysis (continued)

Verification of profits, assets, and liabilities of reporting segments is given below:

<i>(thousand tenge)</i>	March 31, 2014	December 31, 2013
Total assets of segments	215 057 174	190 057 859
Fixed assets	2 323 922	2 269 292
Cash and their equivalents	40 334 709	29 973 311
Other assets	646 915	473 017
Total assets of segments	258 362 720	222 773 479
Total liabilities of segments	235 204 349	206 096 324
Deferred tax liability	92 714	92 714
Other liabilities	481 383	233 468
Total liabilities	235 778 446	206 422 506
	March 31, 2014	March 31, 2013
Total results of segment	2 056 487	1 296 833
Other operating income	90 748	52 796
Administrative and other operating expense	(1 637 959)	(956 024)
Net provisions for impairment of other assets	(4 925)	(7 698)
Profit before taxes	504 351	385 907
Income tax expense	(86 871)	(84 930)
Income for the period	417 480	300 977

All incomes of the Bank are generated in Kazakhstan. Geographic areas of the bank's activity under the balance sheet are stated in section "Financial risk management" to these financial statements on the basis of actual location of a counterparty, i.e. on the basis of economic risk, but not legal risk of a counterparty.

15. Financial risk management

Foreign Exchange Risk. Foreign exchange risk is a risk of expenses (losses) connected with change in foreign exchange rates when the Bank carries out its activity. The risk of expenses (losses) occurs because of revaluation of the Bank currency items in value terms. The Bank has assets and liabilities denominated in several foreign currencies. Currency risk occurs in cases, where available or predictable assets denominated in any foreign currency, which are more or less in amount than available or predictable liabilities in the same currency.

The Bank manages market risk by fixing limits on open positions with respect to financial instruments, maturity dates and currency, which are regularly controlled, reviewed and approved by the bank's authorized body.

The Bank is daily controlling observance of fixed limits as for currencies. The table gives general analysis of currency risk of the Bank as at 31 March 2014:

<i>(thousand tenge)</i>	Monetary financial assets	Monetary financial liabilities	Net balance sheet item
Tenge	195 148 897	(175 845 080)	19 303 817
US Dollars	58 501 170	(57 680 335)	820 835
Euro	1 078 385	(1 064 553)	13 832
Russian ruble	657 185	(633 385)	23 800
Pound sterling	24 761	-	24 761
Others	490	(1)	489
Total	255 410 888	(235 223 354)	20 187 534

15. Financial risk management (continued)

The table below give general analysis of currency risk of the Bank as at 31 December 2013:

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

Interest Rate Risk. The Bank assumes risk connected with effect of adverse fluctuations of market interest rates on its financial position and cash flows. Such fluctuations may increase a rate of interest margin, but in case of unexpected change in interest rates an interest margin may reduce and result in losses. The management fixes limits in relation to acceptable level of difference between interest rates and controls observance of fixed limits on a regular basis.

The Bank uses analysis of gaps in order to manage interest risk. The Bank is grouping financial assets and financial liabilities broken down by maturity dates or date of review of interest rate, whatever is earlier, and calculates a gap for each group.

The Bank also analyses interest rates based on similar instruments in the market and evaluates probable effect on a weekly basis.

The Bank monitors interest rates on financial instruments. The table below states interest rates on the basis of statements, which were analyzed by the Bank's key managers:

<i>% per year</i>	31 March, 2014		
	tenge	US Dollar	Others
Assets			
Cash and their equivalents	0,00%	0,03%	0,10%
Loans and advances to customers	14,55%	12,96%	0,00%
Financial assets available for sale	3,78%	2,63%	2,07%
Liabilities			
Customers funds	7,50%	5,30%	2,10%
- Fixed deposits of legal entities	7,20%	3,20%	2,30%
- Fixed deposits of physical persons	9,40%	6,20%	2,00%
	31 December, 2013		
	tenge	US Dollar	Others
Assets			
Cash and their equivalents	-	0,11%	0,21%
Loans and advances to customers	14,38%	13,69%	5,05%
Financial assets available for sale	3,83%	3,24%	2,37%
Liabilities			
Customers funds	6,50%	5,40%	2,50%
- Fixed deposits of legal entities	6,00%	2,50%	2,20%
- Fixed deposits of physical persons	9,40%	6,50%	2,70%

Sign "-" in the table above means that the Bank has not interest-sensitive assets or liabilities denominated in relative currency.

Geographical Risk Concentration. Analysis of geographical concentration of financial assets and liabilities of the Bank as at 31 March 2014 is given below:

(in thousand tenge)

	<u>Kazakhstan</u>	<u>OECD</u>	<u>Others</u>	<u>Total</u>
Financial assets				
Cash and their equivalents	33 373 455	6 293 439	667 816	40 334 710
Amounts due from other banks	1 085 033	-	-	1 085 033
Loans and advances to customers	160 171 591	-	-	160 171 591
Available for sale financial assets	41 411 800	4 810 840	7 280 399	53 503 039
Other financial assets	316 515	-	-	316 515
Total financial assets	236 358 394	11 104 279	7 948 215	255 410 888
Financial liabilities				
Customers accounts	219 656 328	124 319	97 188	219 877 835
Credit institutions accounts	40	-	-	40
Debt securities issued	9 816 228	-	-	9 816 228
Subordinated debt	5 154 282	-	-	5 154 282
Other financial liabilities	374 969	-	-	374 969
Total financial liabilities	235 001 847	124 319	97 188	235 223 354
Net balance sheet item	1 356 547	10 979 960	7 851 027	20 187 534
Credit related commitments	22 009 674	-	-	22 009 674

Analysis of geographical concentration of financial assets and liabilities of the Bank as at 31 December 2013 is given below:

(in thousand tenge)

	<u>Kazakhstan</u>	<u>OECD</u>	<u>Others</u>	<u>Total</u>
Financial assets				
Cash and their equivalents	19 557 809	4 135 598	6 279 904	29 973 311
Amounts due from other banks	470 298	-	-	470 298
Loans and advances to customers	143 246 719	-	-	143 246 719
Accounts receivable on reverse repo	-	-	-	-
Available for sale financial assets	39 473 908	473 309	6 163 072	46 110 289
Other financial assets	230 553	-	-	230 553
Total financial assets	202 979 287	4 608 907	12 442 976	220 031 170
Financial liabilities				
Customers accounts	193 739 154	117 763	64 497	193 921 414
Credit institutions accounts	40	-	-	40
Debt securities issued	7 055 362	-	-	7 055 362
Subordinated debt	5 036 377	-	-	5 036 377
Other financial liabilities	83 131	-	-	83 131
Total financial liabilities	205 914 064	117 763	64 497	206 096 324
Net balance sheet item	(2 934 777)	4 491 144	12 378 479	13 934 846
Credit related commitments	24 761 630	-	-	24 761 630

15. Financial risk management (continued)

The table below contains analysis of financial liabilities broken down by maturity dates according to contractual terms as at 31 March 2014:

<i>(in thousand tenge)</i>	Upon demand and less than 1 month	From 1 up to 3 months	From 3 up to 12 months	from 12 months up to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	93 597 652	24 250 554	55 418 578	46 623 487	149 483	220 039 754
Credit institutions accounts	40	-	-	-	-	40
Debt securities issued	-	282 969	-	9 533 259	-	9 816 228
Subordinated debt	-	193 803	-	-	4 960 479	5 154 282
Other financial liabilities	194 045	-	-	-	-	194 045
Total financial liabilities	93 791 737	24 727 326	55 418 578	56 156 746	5 109 962	235 204 349
Undrawn credit lines	22 009 674	-	-	-	-	22 009 674
Guarantees issued	1 194 778	1 134 143	13 756 113	9 526 491	-	25 611 525
Total credit related commitments	23 204 452	1 134 143	13 756 113	9 526 491	-	47 621 199

The table below contains analysis of financial liabilities broken down by maturity dates according to contractual terms as at 31 December 2013:

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

15. Financial risk management (continued)

The Bank does not use the analysis of maturity dates given above without regard to discounting in order to manage liquidity. Instead, the Bank controls expected maturity dates, which are represented in the table below as at 31 March 2014:

(in thousand tenge)

	Upon demand and less than 1 month	From 1 up to 3 months	From 3 up to 12 months	from 12 months up to 5 years	More than 5 years	Total
Cash and their equivalents	40 334 709	-	-	-	-	40 334 709
Amounts due from other banks	1 085 033	-	-	-	-	1 085 033
Loans and advances to customers	14 681 646	11 070 061	71 037 419	49 784 960	13 597 505	160 171 591
Available for sale financial assets	53 503 039	-	-	-	-	53 503 039
Other financial assets	180 731	139	5 936	10 665	100 040	297 511
Total financial assets	109 785 158	11 070 200	71 043 355	49 795 625	13 697 545	255 391 883
Customers accounts	93 597 652	24 250 554	55 418 578	46 623 487	149 483	220 039 754
Credit institutions accounts	40	-	-	-	-	40
Debt securities issued	-	282 969	-	9 533 259	-	9 816 228
Subordinated debt	-	193 803	-	-	4 960 479	5 154 282
Other financial liabilities	194 045	-	-	-	-	194 045
Total financial liabilities	93 791 737	24 727 326	55 418 578	56 156 746	5 109 962	235 204 349
Net gap as at 31 March, 2014	15 993 421	(13 657 126)	15 624 777	(6 361 121)	8 587 583	20 187 534
Cumulative gap as at 31 December, 2013	15 993 421	2 336 295	17 961 072	11 599 951	20 187 534	20 187 534

The table below contains analysis of expected dates as at 31 December 2013:

<i>(in thousand tenge)</i>	Upon demand and less than 1 month	From 1 up to 3 months	From 3 up to 12 months	from 12 months up to 5 years	More than 5 years	Total
Cash and their equivalents	29 973 311	-	-	-	-	29 973 311
Amounts 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
Available for sale financial assets	46 110 289	-	-	-	-	46 110 289
Other financial assets	128 678	23	708	1 104	100 040	230 553
Total financial assets	94 251 917	21 908 993	59 290 951	35 812 760	8 766 549	220 031 170
Customers accounts	79 022 766	16 758 705	56 688 449	41 306 307	145 187	193 921 414
Credit institutions accounts	40	-	-	-	-	40
Debt securities issued	-	-	89 836	6 965 526	-	7 055 362
Subordinated debt	-	-	75 950	-	4 960 427	5 036 377
Other financial liabilities	83 131	-	-	-	-	83 131
Total financial liabilities	79 105 937	16 758 705	56 854 235	48 271 833	5 105 614	206 096 324
Net gap as at 31 December, 2013	15 145 980	5 150 288	2 436 716	(12 459 073)	3 660 935	13 934 846
Cumulative gap as at 31 December, 2013	15 145 980	20 296 268	22 732 984	10 273 911	13 934 846	13 934 846

In opinion of the Bank's management, coincidence and/or controlled non-coincidence of the terms of placement and repayment, and interest rates under assets and liabilities is the underlying factor for successful management of the Bank. As a rule, there is not full coincidence of mentioned items in the banks, as transactions often have indefinite maturity dates and different nature. Non-coincidence of these items potentially increases yield of activity, and at the same time risk of losses increases. Maturity dates of assets and liabilities and probability of replacement of interest liabilities at acceptable cost as far as their maturity dates come are important factors to estimate liquidity of the Bank and its risks in case of change in interest rates and foreign exchange rates.

16. Related parties transactions

The parties are deemed related, if they are under common control, or one of them is able to control another one, or may significantly influence when other party makes financial and operating decisions. When considering relations with all related parties, economic content of such relations, but not only legal form thereof, shall be taken into consideration.

Balances of related party transactions as at 31 March 2014 and 31 December 2013 are stated below:

	March 31, 2014				December 31, 2013			
	% rate	Shareholders	Members of the Management Board and Board of	Others	% rate	Shareholders	Members of the Management Board and Board of Directors	Others
<i>(thousand tenge unless otherwise indicate</i>								
Total amount of loans and advances to customers, in tenge	11%-21%	223 515	-	1 508 966	8%-21%	223 515	-	1 460 557
Customers funds, customers current accounts	-	51 212	32 800	690 256	-	19 895	28 519	306 595
Customers funds, deposits in tenge	3%-10%	65 326	16 079	853 682	3%-10%	23 284	28 733	1 740 389
Customers funds, deposits in US Dollars	4,5%-7%	45 818	2 117 858	982 763	4,5%-7%	18 658	1 763 500	609 300
Customers funds, deposits in Euro	2%	-	-	74 898	2%	-	-	27 615
Unused credit lines, in tenge	9,5%-14,5%	-	-	152 096	5%-22%	-	43 467	30 622
Unused credit lines, in US Dollars	10%-22%	-	12 744	9 103	-	-	-	-
Unused credit lines, in Euro	5%	-	35 029	-	-	-	-	-

Items of incomes and expenses on related parties as at 31 March 2014 and 31 December 2013 are stated below:

	31 March, 2014			31 December, 2013		
	Shareholders	Members of the Management Board and Board of Directors	Others	Shareholders	Members of the Management Board and Board of Directors	Others
<i>(thousand tenge)</i>						
Interest income	6 705		51 628	6 631	-	160 967
Interest expense	2 088	35 482	29 909	6 224	100 765	53 408
Commission incomes	-		-	-	-	-
Administrative and other operating expenses, including:		42 946		-	146 059	-
- amount of remuneration to the members of the Board of Directors		28 327		-	97 231	-
- amount of remuneration to the members of the Management Board of the bank		14 619		-	48 828	-

Chairman of the Board

Chief Accountant



M.K.Zhakubayeva

A.A.Dauletbekova