

April 30, 2013

city of Almaty

## Explanatory Note

(unaudited)

the consolidated financial statements for the first quarter of 2013.

«Nurbank» JSC

### 1. Principal activities

Nurbank JSC (the "Bank") was formed in 1993 under the laws of the Republic of Kazakhstan. The Bank operates under a general banking licence No. 142 issued on 13 December 2007 by Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Markets and Financial Organizations (the "FMSA" or the "FMSC").

Nurbank JSC and its subsidiaries (together the "Group") provide retail and corporate banking, pension, asset management and insurance services in Kazakhstan. The Bank accepts deposits from the public and extends credit, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Shares and certain debt securities of the Bank are listed on the Kazakhstan Stock Exchange ("KASE"). Its head office is located in Almaty, Kazakhstan.

The Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on "Obligatory insurance of second tier banks deposits" dated 7 July 2006. Insurance covers the Bank's liabilities to individual depositors for amounts up to five million Kazakh Tenge for each individual in the event of business failure and revocation of the National Bank's of the Republic of Kazakhstan (the "NBRK") banking license.

The Bank's registered and actual address is: 51-53 Abylai Khan str., Almaty, 050004, Republic of Kazakhstan. As of March 31, 2013 and December 31, 2012, the Bank had 16 branches and 53 cash settlement units.

As of March 31, the Bank's shares were owned by the following shareholders:

|                                       | <i>As of March 31</i> |                           |
|---------------------------------------|-----------------------|---------------------------|
|                                       | <i>2013 %</i>         | <i>December 31 2012 %</i> |
| J.P. Finance Group LLP                | 67.84                 | 67.84                     |
| Helios LLP                            | 9,67                  | 9,67                      |
| Sarsenova S.T.                        | 0,72                  | 0,72                      |
| Other shareholders owing less than 5% | 21,77                 | 21,77                     |
| <b>Total</b>                          | <b>100,00</b>         | <b>100,00</b>             |

In December 2012 Ms. Sarsenova S.T., the controlling shareholder, has transferred 67.84% of the ordinary shares to the Bank Holding company «JP Finance Group». Ms. Sarsenova S.T. is the sole shareholder of LLP «JP Finance Group».

## 2. Basis of preparation

### General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## 3. Summary of significant accounting policies

### Changes in accounting policies

#### *IAS 24 Related Party Disclosures*

The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after January 1<sup>st</sup>, 2011, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The Bank has decided to early adopt the revised IAS 24 from January 1<sup>st</sup>, 2010. This amendment had no impact on the Group's consolidated financial statements.

#### *Amendment to IAS 32 "Financial Instruments: Presentation": Classification of Rights Issues"*

The amendment was issued in October 2009 and became effective for financial years beginning on or after February 1<sup>st</sup>, 2010. The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment had no impact on the Group's consolidated financial statements.

#### *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after July 1<sup>st</sup>, 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This interpretation had no impact on the Group's financial statements.

#### *Improvements to IFRSs*

In May 2010 the IASB issued the third omnibus of amendments, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after January 1<sup>st</sup>, 2011. Each standard has its own transitional provisions. Amendments included in Improvements to IFRS had some impact on the financial policy, financial position or financial results of the Group as follows:

- IFRS 3 Business combinations: limits the scope of the measurement choices of the method of assessing non-controlling interest (NCI). It indicates that only the components of NCI that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.
- IFRS 7 Financial Instruments: Disclosures introduces the amendments to quantitative and credit risk disclosures. Additional requirements have had little impact, since the required information was easily accessible.
- Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Group.

The following amendments to standards and interpretations did not have any impact on the Group's accounting policies, financial position or results of operations:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Voluntary exclusion with the limited scope from the requirement on disclosure of comparative information under IFRS 7, for companies using IFRS for the first time
- IFRIC 14 Prepayments of a minimum funding requirement

### Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the

date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

## **Financial assets**

### *Initial recognition*

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. At initial recognition financial assets are measured at fair value. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

### *Date of recognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### *'Day 1' profit*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

### *Trading securities*

Financial assets classified as held for trading are included in the category 'trading securities'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the consolidated income statement. Interest income on trading securities is recorded in the financial statements separately from net income / losses on trading securities.

### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognized in the consolidated income statement when the investments are impaired, as well as through the amortization process.

### *Loans and receivables*

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

### *Financial assets available-for-sale*

Available-for-sale financial assets represent non-derivative financial assets that are classified as available-for-sale or are not included in any of three preceding categories. After initial recognition available-for-sale financial assets are

measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired. At which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated income statement. However, interest calculated using the effective interest method is recognised in the consolidated income statement.

#### *Determination of fair value*

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

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

#### *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### *Reclassification of financial assets*

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available-for-sale or held-to-maturity categories only in rare circumstances.

If as the result of change in the Group's intention or abilities, classification of investments as held-to-maturity is no more appropriate, the Group reclassifies them to the category of available-for-sale and measures at fair value. The difference between carrying amount and fair value is recognised in other comprehensive income up the time of investment disposal or derecognition. After such reclassification the Group does not classify any financial assets as held-to-maturity during the period of reclassification and two subsequent financial years.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, current accounts, amounts due from NBRK and amounts due from other credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

#### **Repurchase and reverse repurchase agreements and securities lending**

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or cash and cash equivalents, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated income statement. The obligation to return them is recorded at fair value within amounts due to credit institutions.

### **Derivative financial instruments**

In the normal course of business, the Group enters into various derivative financial instruments, mostly currency swaps. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as other assets when their fair value is positive and as other liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated income statement within gains less losses from trading securities. Derivatives embedded in other financial instruments are accounted for separately and recorded at fair value if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or revalued at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated income statement.

### **Borrowings**

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to Government and amounts due to credit institutions, due to the customers and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated income statement.

### **Lease**

#### *Finance – Group as lessor*

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

#### *Operating – Group as lessee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

### **Impairment of financial assets**

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

Impairment on trading securities and financial assets available-for-sale is recognized directly through reduction in the asset's cost. Impairment on financial assets held-to-maturity and loans and accounts receivable is recognized through establishment of account of provision for related class of financial asset.

#### *Amounts due from credit institutions and loans to customers*

For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future

expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement as a component of provision for impairment.

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

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

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

#### *Held-to-maturity financial investments*

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated income statement as component of other impairment and provisions.

#### *Investment securities available-for-sale*

For available-for-sale investment securities, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement – is reclassified from other comprehensive income to the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognized in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

### **Restructuring of loans to customers**

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

- ▶ If the currency of the loan has been changed the old loan is derecognised and the new loan is recognised in the statement of financial position.
- ▶ If the loan restructuring is not caused by the financial difficulties of the borrower, the Bank uses the same approach as for financial liabilities described below.
- ▶ If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Bank recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Bank recalculates the effective interest rate.

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

## **Derecognition of financial assets and liabilities**

### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- ▶ the rights to receive cash flows from the asset have expired;
- ▶ The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- ▶ the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option on a net basis or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### *Financial liabilities*

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

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

### *Financial guarantee contracts*

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of: the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognized in the consolidated income statement on a straight-line basis over the life of the guarantee.

## **Share capital**

### *Share capital*

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional capital.

### *Treasury shares*

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

### *Dividends*

Dividends on common shares are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised.

### *Preferred shares*

IAS 32 "Financial instruments: Presentation" requires that preferred shares or their components be classified as financial liabilities or equity instruments in accordance with the essence of contractual agreement and definitions of financial liability or equity instrument. Preferred shares which carry a mandatory dividend payment are classified as debt securities issued.

On initial recognition the fair value of the debt is equivalent to the present value of the mandatory dividend obligations over the term of the preferred share discounted at the interest rate for a similar instrument that does not retain a residual benefit to discretionary dividends.

Dividends on preferred shares are classified as an expense and are recognized in the consolidated income statement within interest expense on debt securities issued.

### **Segment reporting**

The Group's segmental reporting is based on the following operating segments: Retail banking, corporate banking and Group functions.

### **Contingencies**

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

### **Recognition of income and expenses**

Income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognized:

#### *Interest and similar income and expense*

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

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

#### *Fee and commission income*

The Group earns commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, asset management fees and fees for issuance of guarantees and letters of credit. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loans.

- *Commission income from providing transaction services*



Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

#### *Income from dividends*

Income is recognized when the Group's right to receive the payment is established.

#### *Expenses*

Expenses are recognized on an accrual basis when the services are provided.

#### *Foreign currency translation*

The consolidated financial statements are presented in Kazakh Tenge, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated income statement as net gains from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

## **4. Acquisition of non-controlling interests**

Acquisition of additional interest in Accumulated Pension Fund "Atameken" JSC

#### *Acquisitions in 2012*

On 18th of January, 2012 The Group received the amount of 74 400 thousand tenge the additional 0.12% voting shares of JSC "Atameken" Accumulative Pension Fund by respectively increasing its shares from 94,67% to 94,79%

#### *Acquisitions in 2011*

On March 14<sup>th</sup>, 2011, March 28<sup>th</sup>, 2011 and December 14<sup>th</sup>, 2011, Accumulated Pension Fund "Atameken" JSC declared of increase in its share capital by KZT 870,200 thousand, KZT 129,800 thousand and KZT 925,600 thousand, respectively, that were fully paid by the Bank. However, other shareholders rejected to use their right to purchase shares. This resulted in additional increase in the Bank's share in capital of Accumulated Pension Fund "Atameken" JSC by 5.11%, 0.46% and 2.11%, as at the abovementioned dates, respectively. As the result, the Bank's gross share of interest in Accumulated Pension Fund "Atameken" JSC increased from 87.02% to 94.67%.

The carrying amount of net assets of Accumulated Pension Fund "Atameken" JSC as at these dates amounted to KZT 2,296,115 thousand, KZT 2,478,164 thousand and KZT 3,517,428 thousand, respectively.

As a result, non-controlling share has increased by KZT 47,581 thousand.

## **5. Segment information**

For management purposes, the Group is organised into three business segments as follows:

|                   |   |
|-------------------|---|
| Retail banking    | Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities. |
| Corporate banking | Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.                    |
| Group function    | Treasury functions, including balances and transactions with trading securities and investment securities available-for-sale and held-to-maturity.    |

Where the Group cannot directly attribute or reasonably allocate items of revenue and operating expense to segments, it reports them as unallocated.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and

are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2012 or 2011.

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments:

|   | <i>Retail<br/>Banking</i> | <i>Corporate<br/>Banking</i> | <i>Group<br/>Functions</i> | <i>Unallocated</i> | <i>Total</i>       |
|---|---------------------------|------------------------------|----------------------------|--------------------|--------------------|
| <b>2013</b>   |                           |                              |                            |                    |                    |
| <b>Income</b>   |                           |                              |                            |                    |                    |
| Interest income   | 918.740                   | 2.396.733                    | 511.561                    | -                  | 3.827.034          |
| Fee and commission income   | 180.253                   | 921.759                      | 6.292                      | 63.675             | 1.171.980          |
| Net loss from trading securities  | -                         | -                            | 15.926                     | -                  | 15.926             |
| Net losses from investment securities available-for-sale                | -                         | -                            | (10.707)                   | -                  | (10.707)           |
| Net gains from foreign currencies                                       | -                         | (2.331)                      | 88.245                     | -                  | 85.914             |
| Net insurance income  | 48.711                    | 58.660                       | -                          | -                  | 107.371            |
| Other income  | 13.693                    | 19.156                       | -                          | 17.336             | 50.185             |
| <b>Total income</b>   | <b>1.161.397</b>          | <b>3.393.977</b>             | <b>611.317</b>             | <b>81.011</b>      | <b>5.247.702</b>   |
| Interest expenses   | (1.028.348)               | (1.593.251)                  | -                          | -                  | (2.621.599)        |
| Fee and commission expenses   | (15.353)                  | (152.978)                    | (11.755)                   | (12.432)           | (192.519)          |
| Allowance for loan impairment   | (840.761)                 | 1.059.265                    | -                          | (197)              | 218.307            |
| Personnel expenses  | -                         | -                            | (166.997)                  | (992.521)          | (1.159.518)        |
| Depreciation and amortization   | -                         | (2.998)                      | (4.552)                    | (140.328)          | (147.878)          |
| Other impairment and provisions   | (10.042)                  | 17.374                       | 65.754                     | 80                 | 73.166             |
| Taxes other than income tax   | -                         | (83)                         | (516)                      | (54.803)           | (55.402)           |
| Other operating expenses  | (40.342)                  | (19.491)                     | -                          | (673.793)          | (733.626)          |
| <b>Total expenses</b>   | <b>(1.934.846)</b>        | <b>(692.162)</b>             | <b>(118.066)</b>           | <b>(1.873.994)</b> | <b>(4.619.068)</b> |
| <b>Segment's financial results before corporate income tax expenses</b> | <b>(773.449)</b>          | <b>2.701.815</b>             | <b>493.251</b>             | <b>(1.792.983)</b> | <b>628.634</b>     |
| Corporate income tax expense  | -                         | (9.537)                      | (3.787)                    | (159)              | (13.483)           |
| <b>Net segment result after corporate income tax expenses</b>           | <b>(773.449)</b>          | <b>2.692.278</b>             | <b>489.464</b>             | <b>(1.793.142)</b> | <b>615.151</b>     |
| <b>Segment assets</b>   | <b>36.624.538</b>         | <b>155.021.815</b>           | <b>71.210.713</b>          | <b>11.884.188</b>  | <b>274.741.254</b> |
| <b>Segment liabilities</b>  | <b>59.963.758</b>         | <b>88.495.449</b>            | <b>23.338.163</b>          | <b>30.794.920</b>  | <b>202.592.291</b> |
| <b>2012</b>   |                           |                              |                            |                    |                    |
| <b>Income</b>   |                           |                              |                            |                    |                    |
| Interest income   | 7.765.313                 | 13.977.737                   | 1.915.128                  | -                  | 23.658.178         |
| Fee and commission income   | 1.191.019                 | 1.959.272                    | 223.704                    | 64.892             | 3.438.887          |
| Net loss from trading securities  | -                         | -                            | (197.333)                  | -                  | (197,333)          |
| Net losses from investment securities available-for-sale                | -                         | -                            | 994.485                    | -                  | 994.485            |
| Net gains from foreign currencies                                       | -                         | -                            | 1.233.699                  | -                  | 1.233.699          |
| Net insurance income  | 170.067                   | -                            | -                          | -                  | 170.067            |
| Proceeds from loans issuance  | -                         | 14.238.275                   | -                          | -                  | 14.238.275         |
| Other income  | 15.348                    | 200.484                      | -                          | 436.662            | 652.494            |
| <b>Total income</b>   | <b>9.141.747</b>          | <b>30.375.768</b>            | <b>4.169.683</b>           | <b>501.554</b>     | <b>44.188.752</b>  |
| Interest expenses   | (4.563.446)               | (6.809.136)                  | -                          | -                  | (11.372.582)       |
| Fee and commission expenses   | (135.938)                 | (13.104)                     | (21.230)                   | (69.558)           | (239.830)          |
| Allowance for loan impairment   | (1.816.351)               | (19.015.757)                 | -                          | -                  | (20.832.108)       |
| Personnel expenses  | -                         | -                            | -                          | (4.699.038)        | (4,699.038)        |
| Depreciation and amortization   | -                         | -                            | -                          | (602.530)          | (602.530)          |
| Other impairment and provisions   | (26.324)                  | (354.870)                    | -                          | 765                | (380.429)          |
| Taxes other than income tax   | -                         | -                            | -                          | (267.842)          | (267.842)          |
| Other operating expenses  | (1.325)                   | (10.514)                     | -                          | (3.138.055)        | (3,149.894)        |

|  |             |              |            |             |              |
|--|-------------|--------------|------------|-------------|--------------|
| Total expenses   | (6.543.384) | (26.203.381) | (21.230)   | (8.776.258) | (41.544.253) |
| Segment's financial results before corporate income tax expenses | 2.598.363   | 4.172.387    | 4.148.453  | (8.274.704) | 2.644.499    |
| Corporate income tax expense                                     | –           | –            | –          | (690.250)   | (690.250)    |
| Net segment result after corporate income tax expenses           | 2.598.363   | 4.172.387    | 4.148.453  | (8.964.954) | 1.954.249    |
| Segment assets   | 29.318.191  | 148.587.667  | 59.820.487 | 18.616.015  | 256.342.360  |
| Segment liabilities  | 48.890.870  | 112.995.454  | 21.795.297 | 903.871     | 184.585.492  |

The table below lists the assets of the operating segments of the Group:

| Segment assets                      | <i>Retail Banking</i> | <i>Corporate Banking</i> | <b>Central Functions</b> | <i>Unallocated</i> | <i>Total</i>       |
|-------------------------------------|-----------------------|--------------------------|--------------------------|--------------------|--------------------|
| As of 31 December, 2012 (unaudited) | 29.318.191            | 148.587.667              | 59.820.487               | 18.616.015         | 256.342.360        |
| As of 31 March, 2013                | <b>36.624.538</b>     | <b>155.021.815</b>       | <b>71.210.713</b>        | <b>11.884.188</b>  | <b>274.741.254</b> |

#### 6. Cash and cash equivalents

|   | As of 31 March, 2013 (unaudited) | As of 31 December, 2012 |
|---|----------------------------------|-------------------------|
| Cash on hand  | 7.149.421                        | 8.234.705               |
| Current accounts with other credit institutions                                   | 21.543.202                       | 7.595.151               |
| Reverse repurchase agreements with credit institutions with maturity over 90 days | 715.031                          | 7.455.236               |
| Time deposits with credit institutions with contractual maturity up to 90 days    | 8.798.710                        | 217.836                 |
| <b>Cash and cash equivalents</b>  | <b>38.206.364</b>                | <b>23.502.928</b>       |

#### 7. Trading securities

|   | As of 31 March, 2013 (unaudited) | As of 31 December, 2012 |
|---|----------------------------------|-------------------------|
| <b>Debt securities:</b>   |                                  |                         |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 1.868.802                        | 1.906.494               |
| Treasury bills of OECD central state management bodies                  | –                                | 55.117                  |
| Eurobonds of foreign banks  | 52.124                           | –                       |
| Eurobonds of Kazakh banks   | 43.375                           | 33.945                  |
|   | <b>1.964.301</b>                 | <b>1.995.556</b>        |
| <b>Equity securities:</b>   |                                  |                         |
| Preferred shares of Kazakh credit institutions                          | 431                              | 346                     |
| Простые акции местных кредитных учреждений                              | 7.476                            | 104                     |
|   | <b>7.907</b>                     |                         |
| <b>Trading securities</b>   | <b>1.972.208</b>                 | <b>1.996.006</b>        |

#### 8. Amounts due from credit institutions

|  | As of 31 March, 2013 (unaudited) | As of 31 December, 2012 |
|--|----------------------------------|-------------------------|
| Time deposits for more than 90 days and not more than 360 days | 1.044.084                        | 1.120.010               |
| Time deposits for more than 360 days                           | 678.668                          | 339.336                 |
| <b>Amounts due from credit institutions</b>                    | <b>1.722.752</b>                 | <b>1.459.346</b>        |

#### 9. Investment securities

Available-for-sale investment securities comprise:

|                         | As of 31 March, 2013 (unaudited) | As of 31 December, 2012 |
|-------------------------|----------------------------------|-------------------------|
| <b>Debt securities:</b> |                                  |                         |

|   |                   |                   |
|---|-------------------|-------------------|
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 27,383,229        | 25,848,213        |
| Bonds of Kazakh credit institutions, other than banks                   | 332,937           | 425,035           |
| Corporate bonds   | 1,039,721         | 1,249,623         |
| Eurobonds of Kazakh banks   | 2,454,509         | 2,776,340         |
| Bonds of Kazakh banks   | 1,808,504         | 1,657,855         |
| Eurobonds of foreign banks  | 2,410,096         | 1,265,164         |
| Foreign corporate Eurobonds   | 454,844           | 730,081           |
| USA Government Eurobonds  | 151,829           | 294,250           |
|   | <b>36,035,669</b> | <b>34,246,561</b> |
| <b>Equity securities:</b>   |                   |                   |
| Corporate shares  | 46,348            | 34,139            |
| Shares of foreign banks and other credit institutions                   | 39,641            | 40,853            |
|   | <b>85,989</b>     | <b>74,992</b>     |
| <b>Investment securities available-for-sale</b>                         | <b>36,121,658</b> | <b>34,321,553</b> |

## 10. Loans to customers

The Group has been periodically selling part of its mortgage loan portfolio to Kazakhstan Mortgage Company ("KMC"), with full recourse to the Group for any default loan. The Group determined that as a result of these transactions not all significant risks and rewards under the portfolio were transferred to KMC. Accordingly, the Group continues to recognize these loans as assets in the consolidated statement of financial position and corresponding liability within loans from financial institutions for the same amount.

Loans to customers comprise:

|   | As of 31 March,<br>2013 (unaudited) | As of 31 December,<br>2012 |
|---|-------------------------------------|----------------------------|
| Individually significant corporate loans                            | 158,193,346                         | 162,593,059                |
| Individually not significant corporate, small and medium size loans | 38,394,088                          | 38,666,036                 |
| Consumer loans  | 25,285,789                          | 24,359,856                 |
| Residential mortgages   | 8,096,593                           | 9,361,534                  |
| Gross loans to customers  | 229,969,816                         | 234,980,485                |
| Less: Allowance for impairment                                      | (57,426,828)                        | (62,396,969)               |
| Loans to customers  | <b>172,542,988</b>                  | <b>172,583,516</b>         |

*Allowance for impairment of loans to customers*

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

|                                      | <i>Individually significant corporate loans</i> | <i>Individually not significant corporate, small and medium size loans</i> | <i>Consumer loans</i> | <i>Residential mortgages</i> | <i>Total</i> |
|--------------------------------------|---|--|-----------------------|------------------------------|--------------|
| As of January 1 <sup>st</sup> , 2013 | 54,800,262                                      | 3,193,509  | 3,825,440             | 577,75                       | 62,396,969   |
| Charge / (reversal) for the period   | (4,501,288)                                     | (285,380)  | (131,743)             | (3,694)                      | (4,922,105)  |
| Write-offs                           | -   | (48,036)   | -                     | -                            | (48,036)     |
| As of March 30 <sup>th</sup> , 2013  | 50,289,974                                      | 2,860,093  | 3,693,697             | 574,064                      | 57,426,828   |

## 11. Other impairment and provisions

The movements in allowances for impairment of other assets and guarantees and commitments are as follows:

|                                  | <i>Guarantees and commitments</i> | <i>Other assets</i> | <i>Total</i> |
|----------------------------------|-----------------------------------|---------------------|--------------|
| December 31 <sup>st</sup> , 2011 | 1,128,867                         | 740,707             | 1,869,574    |
| Charge                           | 268,698                           | 111,73              | 380,429      |
| Write-offs                       | (553)                             | (462,701)           | (463,254)    |
| December 31 <sup>st</sup> , 2012 | 1,397,012                         | 389,73              | 1,786,749    |
| Charge                           | (73,980)                          | 814                 | (73,166)     |

|                                    |                |                |                  |
|------------------------------------|----------------|----------------|------------------|
| Write-offs                         | (348.944)      | 18.624         | (330.320)        |
| <b>March 31<sup>st</sup>, 2013</b> | <b>974.088</b> | <b>409.175</b> | <b>1.383.263</b> |

Allowances for impairment of other assets are deducted from carrying amount of the related assets.

## 12. Amounts due to the Government of the Republic of Kazakhstan

As of March 31<sup>st</sup>, 2013 funds attracted by the Bank from Entrepreneurship Development Fund DAMU JSC, 100% owned by the Government, amounted to KZT 7.762.058 thousands (31 December 2012: KZT 8.789.677 thousand). In accordance with the contractual provisions, the Group can utilize these funds only for financing small and medium business. Interest rate on these amounts are 5.5%-8.5% p.a., repayment is done by semi-annual payments with last payment date based on schedule in years 2015–2019.

## 13. Amounts due to credit institutions

|  | As of 31 March,<br>2013 (unaudited) | As of 31 December,<br>2012 |
|--|-------------------------------------|----------------------------|
| Current accounts                                 | 23.766                              | 22.781                     |
| Repurchase agreements                            | 1.904.558                           | 45.004                     |
| Loans from credit institutions, other than banks | 995.781                             | 1.074.634                  |
| Deposits from Kazakh banks and non-OECD banks    | 565.768                             | 503.167                    |
| Deposits from OECD banks                         | 109.858                             | 151.778                    |
| <b>Amounts due to credit institutions</b>        | <b>3.599.731</b>                    | <b>1.797.364</b>           |

## 14. Amounts due to customers

|  | As of 31 March,<br>2013 (unaudited) | As of 31 December,<br>2012 |
|--|-------------------------------------|----------------------------|
| <b>Current accounts:</b>                   |                                     |                            |
| Legal entities                             | 38.857.579                          | 46.534.345                 |
| Individuals                                | 11.375.891                          | 6.886.292                  |
| Held as security against letters of credit | 16.646                              | 17.153                     |
| <b>Time deposits:</b>                      |                                     |                            |
| Legal entities                             | 58.377.017                          | 54.459.903                 |
| Individuals                                | 44.484.275                          | 41.182.415                 |
| <b>Amounts due to customers</b>            | <b>153.111.408</b>                  | <b>149.080.108</b>         |

As at 31 March 2013 included in time deposits are deposits of individuals in the amount of KZT 44.484.275 thousand. In accordance with the Kazakhstan Civil Code, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

## 15. Debt securities issued

Debt securities issued comprise:

|   | As of 31 March,<br>2013 (unaudited) | As of 31<br>December,<br>2012 |
|---|-------------------------------------|-------------------------------|
| KZT bonds                                     | 25.800.910                          | 14.970.910                    |
| KZT subordinated bonds                        | 4.988.266                           | 4.987.520                     |
| Preferred shares                              | 2.043.164                           | 2.043.164                     |
|   | 32.832.340                          | 22.001.594                    |
| Net unamortized discount and cost of issuance | (1.004.493)                         | (846.259)                     |
|   | 31.827.847                          | 21.155.335                    |
| Interest accrued                              | 1.062.544                           | 639.962                       |
| <b>Debt securities issued</b>                 | <b>32.890.391</b>                   | <b>21.795.297</b>             |

## 16. Equity

Movements in shares outstanding, issued and fully paid were as follows:

|                  | <i>Number of shares</i> |                  | <i>Amount</i>      |                  |                    |
|------------------|-------------------------|------------------|--------------------|------------------|--------------------|
|                  | <i>Common</i>           | <i>Preferred</i> | <i>Common</i>      | <i>Preferred</i> | <i>Amount</i>      |
| 31 December 2011 | 10.514.077              | 28.885           | 127.048.936        | 288.708          | 127.337.644        |
| 31 December 2012 | 10.514.077              | 28.747           | 127.048.936        | 287.052          | 127.335.988        |
| 31 March 2013    | <b>10.514.077</b>       | <b>28.747</b>    | <b>127.048.936</b> | <b>287.052</b>   | <b>127.335.988</b> |

As of March 31st, 2013 and December 31st, 2012, the Bank had 13,375,557 authorized common shares and 300,000 preferred shares. Each common share is entitled to one vote and shares equally in dividends declared.

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the right to receive dividends is shown as a liability and the balance of the issue proceeds as equity.

The share capital of the Bank was contributed by the shareholders in Tenge and they are entitled to dividends and any capital distribution in Tenge. Preferred shares carry a cumulative dividend of a minimum of KZT 1,000 per annum, but not less than declared dividends on common shares and do not have any voting rights unless payment of preferred dividends has been delayed for three months or more from the date they became due. All common and preferred shares are KZT denominated.

## 17. Commitments and contingencies

### Legal issues

The Group is subject to various legal proceedings related to business operations. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations.

### Commitments and contingencies

Group's commitments and contingencies comprised the following:

|   | As of 31 March, 2013<br>(unaudited) | As of 31 December,<br>2012 |
|---|-------------------------------------|----------------------------|
| <b>Credit related commitments</b>                                     |                                     |                            |
| Undrawn loan commitments  | 18.194.429                          | 16.473.261                 |
| Guarantees  | 7.295.796                           | 9.306.206                  |
| Letters of credit   | 289.666                             | 290.045                    |
|   | <b>25.779.891</b>                   | <b>26.069.512</b>          |
| <b>Operating lease commitments</b>                                    |                                     |                            |
| Not later than 1 year   | 50.970                              | 196.715                    |
| More than 1 year but less than 5 years                                | 115.227                             | 481.548                    |
| Over 5 years  | 23.647                              | 94.732                     |
|   | <b>189.844</b>                      | <b>772.995</b>             |
| <b>Commitments and contingencies, gross</b>                           | <b>25.969.735</b>                   | <b>26.842.507</b>          |
| Less: Funds held as security against guarantees and letters of credit | (16.646)                            | (17.153)                   |
| Less: provisions  | (974.088)                           | (1.397.012)                |
| <b>Commitments and contingencies</b>                                  | <b>24.979.001</b>                   | <b>25.428.342</b>          |

The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavorable to the Bank arise, including change of the refinance rate, inflation, exchange rates and others.

## 18. Net fee and commission income

|                                  | <i>For the three month ended March 31st</i> |                            |
|----------------------------------|---|----------------------------|
|                                  | As of 31 March, 2013<br>(unaudited)         | As of 31 December,<br>2012 |
| Cash transactions                | 193.888                                     | 169.330                    |
| Bank transfers                   | 174.197                                     | 140.870                    |
| Pension asset management         | 559.760                                     | 13.886                     |
| Guarantees and letters of credit | 85.138                                      | 80.774                     |
| Bank cards                       | 70.471                                      | 70.911                     |
| Purchase – sale of currencies    | 31.827                                      | 33.571                     |
| Agent's fees                     | 10.671                                      | 13.602                     |

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Other                                | 46.028           | 442.162          |
| <b>Fee and commission income</b>     | <b>1.171.980</b> | <b>965.106</b>   |
| Bank transfers                       | (24.119)         | (21.623)         |
| Bank cards                           | (2.042)          | (22.230)         |
| Transactions with securities         | (12.050)         | (65.294)         |
| Guarantees and letters of credit     | (628)            | (3.115)          |
| Other                                | (153.680)        | (248.770)        |
| <b>Fee and commission expenses</b>   | <b>(192.519)</b> | <b>(361.032)</b> |
| <b>Net fee and commission income</b> | <b>979.461</b>   | <b>604.074</b>   |

## 19. Personnel and other operating expenses

|                                 | <i>For the three month ended March 31st</i> |                    |
|---------------------------------|---|--------------------|
|                                 | 2013  | 2012               |
| Salaries and bonuses            | (1.060.098)                                 | (1.081.196)        |
| Social security costs           | (99.420)                                    | (99.498)           |
| <b>Personnel costs</b>          | <b>(1.159.518)</b>                          | <b>(1.180.694)</b> |
| Rent                            | (229.073)                                   | (233.142)          |
| Depreciation and amortization   | (147.878)                                   | (155.217)          |
| Deposit Insurance               | (64.327)                                    | (2.161)            |
| Taxes other than income tax     | (55.402)                                    | (66.404)           |
| security                        | (32.049)                                    | (53.761)           |
| communication                   | (40.963)                                    | (43.760)           |
| Advertising                     | (23.654)                                    | (57.042)           |
| Professional services           | (102.387)                                   | (111.867)          |
| Information technology services | (31.651)                                    | (22.256)           |
| transportation                  | (21.797)                                    | (25.387)           |
| Repair and maintenance          | (12.160)                                    | (32.449)           |
| travel expenses                 | (20.303)                                    | (13.432)           |
| utilities                       | (23.641)                                    | (17.163)           |
| collection                      | (11.209)                                    | (11.229)           |
| Other                           | (60.579)                                    | (82.708)           |
| <b>Other operating expenses</b> | <b>(877.073)</b>                            | <b>(927.978)</b>   |

## 20. (Loss) / earnings per share

Basic and diluted earnings per share is calculated by dividing the net (loss)/profit for the year attributable to common shareholders of the Bank by the weighted average number of common shares (excluding treasury shares) (participating shares) outstanding during the year.

The following table shows the profit and share data used in the basic and diluted earnings per share calculations:

|  | As of 31 March, 2013<br>(unaudited) | As of 31 December,<br>2012 |
|--|-------------------------------------|----------------------------|
| Net loss for the year attributable to shareholders of the Bank                           | 615.151                             | 1.951.817                  |
| Weighted average number of participating shares for basic and diluted earnings per share | 10.542.824                          | 10.542.824                 |
| Basic and diluted loss per share (in Tenge)  | 58.51                               | 185.13                     |

## 21. Risk management

The geographical concentration of the Group's monetary assets and liabilities is set out below:

|                           | As of 31 March, 2013 (unaudited) |             |                                |              | As of 31 December, 2012 |             |                                |              |
|---------------------------|----------------------------------|-------------|--------------------------------|--------------|-------------------------|-------------|--------------------------------|--------------|
|                           | <i>Kazakhstan</i>                | <i>OECD</i> | <i>CIS and other countries</i> | <i>Total</i> | <i>Kazakhstan</i>       | <i>OECD</i> | <i>CIS and other countries</i> | <i>Total</i> |
| <b>Assets:</b>            |                                  |             |                                |              |                         |             |                                |              |
| Cash and cash equivalents | 2.529.234                        |             |                                |              | 21.047.974              | 2.369.092   | 85.86                          | 23.502.928   |

|  |                   |                |                  |                   |                   |                |               |                   |
|--|-------------------|----------------|------------------|-------------------|-------------------|----------------|---------------|-------------------|
|  | 35,650,673        |                | 26,457           | 38,206,364        |                   |                |               |                   |
| Trading securities                       | 1,972,208         | -              | -                | 1,972,208         | 1,940,439         | -              | 55.11         | 1,995,556         |
| Amounts due from credit institutions     | 1,712,786         | 9,966          | -                | 1,722,752         | 1,459,346         | -              | -             | 1,459,346         |
| Investment securities available-for-sale | 33,786,380        | 1,032,632      | 1,251,235        | 36,070,247        | 31,957,068        | 1,541,964      | 747.52        | 34,246,561        |
| Loans to customers                       | 172,542,988       | -              | -                | 172,542,988       | 172,583,516       | -              | -             | 172,583,516       |
| Other monetary assets                    | 18,139,120        | -              | -                | 18,139,120        | 10,171,552        | -              | -             | 10,171,552        |
|  | 263,804,155       | 3,571,832      | 1,277,692        | 268,653,679       | 239,159,895       | 3,911,056      | 888.50        | 243,959,459       |
| <b>Liabilities:</b>                      |                   |                |                  |                   |                   |                |               |                   |
| Amounts due to the Government of RK      | 7,762,058         | -              | -                | 7,762,058         | 8,789,677         | -              | -             | 8,789,677         |
| Amounts due to credit institutions       | 3,449,419         | 150,312        | -                | 3,599,731         | 1,644,724         | 152,640        | -             | 1,797,364         |
| Amounts due to customers                 | 152,048,184       | 2,630,103      | 219,143          | 154,897,430       | 145,731,649       | 3,226,682      | 121.77        | 149,080,108       |
| Debt securities issued                   | 32,890,391        | -              | -                | 32,890,391        | 21,795,297        | -              | -             | 21,795,297        |
| Provisions                               | 974,088           | -              | -                | 974,088           | 1,397,012         | -              | -             | 1,397,012         |
| Other liabilities                        | 2,225,270         | 1,035          | 5                | 2,226,310         | 1,039,781         | -              | -             | 1,039,781         |
|  | 199,349,410       | 2,781,450      | 219,148          | 202,350,008       | 180,398,140       | 3,379,322      | 121.77        | 183,899,239       |
| <b>Net assets/ (liabilities)</b>         | <b>64,454,745</b> | <b>790,382</b> | <b>1,058,544</b> | <b>66,303,671</b> | <b>58,761,755</b> | <b>531,734</b> | <b>766.73</b> | <b>60,060,220</b> |

## 22. The disclosure of related parties

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The outstanding balances of related party transactions are as follows:

|  | March 31 <sup>st</sup> , 2013 (unaudited) |                               |                          |
|--|---|-------------------------------|--------------------------|
|  | Shareholders                              | Entities under common control | Key management personnel |
| Loans outstanding as January 1st, gross                      | -   | 3,268,971                     | 94,639                   |
| Loans issued during the period                               | -   | 100,625                       | 3,086                    |
| Loans repaid during the period                               | -   | (81,721)                      | (30,141)                 |
| <b>Loans outstanding as of March 31st, gross (unaudited)</b> | -   | <b>3,287,875</b>              | <b>67,584</b>            |
| Less: Allowance for impairment of loans                      | -   | (137,104)                     | (420)                    |
| <b>Loans outstanding as of March 31st, net (unaudited)</b>   | -   | <b>3,150,771</b>              | <b>67,164</b>            |
| <b>Amounts due to customers as of March 31 (unaudited)</b>   | <b>8,090,284</b>                          | <b>10,712,762</b>             | <b>244,538</b>           |
| <b>Commitments and guarantees (unaudited)</b>                |   | <b>14,895</b>                 |                          |

|   | December 31 <sup>st</sup> , 2012 |                               |                          |
|---|----------------------------------|-------------------------------|--------------------------|
|   | Shareholders                     | Entities under common control | Key management personnel |
| Loans outstanding as January 1st, gross             | -                                | 3,266,733                     | 52,043                   |
| Loans issued during the year                        | -                                | 2,758,753                     | 48,631                   |
| Loans repaid during the year                        | -                                | (2,612,486)                   | (5,443)                  |
| <b>Loans outstanding as of December 31st, gross</b> | -                                | <b>3,413,000</b>              | <b>95,231</b>            |
| Less: Allowance for impairment of loans             | -                                | (144,029)                     | (592)                    |



|   | <i>March 31<sup>st</sup>, 2013 (unaudited)</i> |                                      |                                 |
|---|--|--------------------------------------|---------------------------------|
|   | <i>Shareholders</i>                            | <i>Entities under common control</i> | <i>Key management personnel</i> |
| Loans outstanding as of <i>December 31st</i> , net  | –  | 3,268,971                            | 94,639                          |
| Amounts due to customers as of <i>December 31st</i> | 6,686,065                                      | 6,248,645                            | 309,955                         |
| Commitments and guarantees                          | –  | 23,752                               | –                               |

|                                 | <i>March 31st, 2013</i> |                                      |                                 |
|---------------------------------|-------------------------|--------------------------------------|---------------------------------|
|                                 | <i>Shareholders</i>     | <i>Entities under common control</i> | <i>Key management personnel</i> |
| <b>Loans to customers:</b>      |                         |                                      |                                 |
| Maturity                        | –                       | 2012-2014                            | 2012-2031                       |
| Interest rate in KZT            | –                       | 12%                                  | 11%-13.7%                       |
| <b>Amounts due to customers</b> |                         |                                      |                                 |
| Maturity                        | 2012-2014               | 2012-2015                            | 2012-2015                       |
| Interest rate in KZT            | 5.5%-12.5%              | 0%-9%                                | 7.5%-11.5%                      |
| Interest rate in EUR            | –                       | –                                    | –                               |
| Interest rate in USD            | 6%-10.5%                | 13%                                  | 4.5%-5.2%                       |

#### Disclosure of related parties

The table below shows the income and expenditure transactions with related parties:

|  | <i>March 31st, 2013</i> |                                      |                             |                                 |
|--|-------------------------|--------------------------------------|-----------------------------|---------------------------------|
|  | <i>Shareholder</i>      | <i>Entities under common control</i> | <i>Associated companies</i> | <i>Key management personnel</i> |
| Interest income on loans to customers        | –                       | 100,625                              | –                           | 3,077                           |
| Impairment of loans                          | –                       | 6,925                                | –                           | 172                             |
| Interest expense on amounts due to customers | (101,943)               | (46,437)                             | –                           | (4,544)                         |
| Fee and commission income                    | 5,323                   | 11,369                               | –                           | 4                               |
| Other operation expenses                     | –                       | –                                    | –                           | (666)                           |

#### Subsidiaries

These consolidated financial statements include the following subsidiaries:

| <b>Subsidiaries</b>             | <i>Holding %, Holdin</i>            |                  | <i>Country</i> | <i>Date of incorporation</i> | <i>Activity</i>  | <i>Date of acquisition</i> |
|---------------------------------|-------------------------------------|------------------|----------------|------------------------------|------------------|----------------------------|
|                                 | <i>October 1<sup>st</sup>, 2012</i> | <i>g %, 2012</i> |                |                              |                  |                            |
| “OOIUPA “Nur-Trust” JSC         | 100                                 | 100              | Kazakhstan     | 2001                         | Asset management | 2001                       |
| Leasing Company Nur-Leasing LLP | 100                                 | 100              | Kazakhstan     | 2001                         | Leasing          | 2001                       |
| Money Experts JSC               | 100                                 | 100              | Kazakhstan     | 2002                         | Brokerage        | 2002                       |
| Insurance Company Nurpolicy JSC | 100                                 | 100              | Kazakhstan     | 1999                         | Insurance        | 2004                       |
| APF Atameken JSC                | 94,79                               | 94,79            | Kazakhstan     | 1997                         | Pension fund     | 2006                       |

On January 18, 2012, the Group has increased its equity stake in the capital of JSC "SPC" Atameken " from 94.67% to 94.97%. On October 18, 2011 The Board of Directors decided to liquidate the “OOIUPA “Nur-Trust” JSC”. The liquidation process is expected to be completed in the first half of 2013. By December 2012 the assets of OOIUPA “Nur-Trust” JSC” has been transferred to the Bank.

Pension assets that were previously managed by “OOIUPA “Nur-Trust” JSC” were transferred to the Pension Fund Manager "Atameken" on May 16<sup>th</sup>, 2011.

On January 23, 2013 the President of the Republic of Kazakhstan issued a decree on the establishment of the Single

Accumulation Pension Fund, which will be created and will be managed by the National Bank of the Republic of Kazakhstan.

In accordance with the decree, until July 1st, 2013, all pension funds, including the "APF" Atameken ", will have to transfer pension assets under the control of Unified Pension Fund.

### Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the FMSC in supervising the Bank.

During 2012 and 2011 the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

#### *FMSC capital adequacy ratio*

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

The FMSC requires the Bank to maintain the capital adequacy ratio k 1-1 at the level of no less than 5% of the total assets in accordance with the rules of the FMSC, k 1-2 at the level of 5% and k 2 at the level of 10% of assets, contingent liabilities, possible claims and liabilities and operational risks.

As of March 31<sup>st</sup>, 2013 and as of December 31<sup>st</sup>, 2012, the capital adequacy ratio of the Bank calculated in accordance with the requirements of the FMSC was as follows:

|  | As of 31 March, 2013<br>(unaudited) | As of 31 December,<br>2012 |
|--|-------------------------------------|----------------------------|
| Tier 1 capital   | 39.934.614                          | 39.930.700                 |
| Tier 2 capital   | 4.318.464                           | 4.293.369                  |
| <b>Total statutory capital</b>   | <b>44.253.078</b>                   | <b>44.224.069</b>          |
| <b>Total assets as per the rules of the FMSC</b>                             | <b>241.997.077</b>                  | <b>225.791.848</b>         |
| <b>Risk weighted assets and liabilities, possible claims and liabilities</b> | <b>176.381.043</b>                  | <b>185.623.692</b>         |
| <b>Operational risks</b>   | <b>2.726.942</b>                    | <b>6.596.948</b>           |
| <b>Capital adequacy ratio k1-1</b>   | <b>16,5%</b>                        | <b>17,7%</b>               |
| <b>Capital adequacy ratio k1-2</b>   | <b>21,9%</b>                        | <b>20,5%</b>               |
| <b>Capital adequacy ratio k2</b>   | <b>24,3%</b>                        | <b>22,8%</b>               |

### 23. Calculation of balance cost of one common share of Bank as of 01.04.2013.

$BVcs = NAV/NOcs$

Balance cost of one common share for the date of calculation (BVcs) = 6 714,60 tenge

Net assets for the common shares (NAV) = 70 678 038 ths. tenge;

Number of stocks for the date of calculation (NOcs) = 10 526 030 pieces;

$NAV = (TA-IA)-TL-PS$

Bank assets according to the report of financial position of the Bank for the calculation date (TA) = 274 741 254 ths. tenge;

Intangible assets according to the report of financial position of the Bank for the calculation date (IA) = 1 175 869 ths. tenge;

Bank liabilities according to the report of financial position of the Bank for the calculation date (TL) = 202 592 291 ths. tenge;

Balance of the account «authorized capital, preference shares», according to the report of financial position of the Bank for the date of calculation (PS) – 295 056 ths. tenge.

**Calculation of balance cost of one preferred share of Bank as of 01.04.2013.**

$$BV_{ps1} = (EPC + DC_{ps1}) / NO_{ps1}$$

Balance cost of the preferred share for the date of calculation ( $BV_{ps1}$ ) = 11 648,23 tenge.

The capital belonging to the holders of preference shares of the first group for the date of calculation ( $EPC$ ) = 577 174 750 tenge.

Debt cost of preference shares of the first group, considered in liabilities ( $DC_{ps1}$ ) = 2 051 772 727,27 tenge.

$$EPC = TD_{ps1} + PS$$

The sum charged, but not paid dividends on preferred shares of the first group for the date of calculation ( $TD_{ps1}$ ). In calculation dividends on preferred shares of the first group are not considered, which were not paid, because of absence of data ,actual information, requisites of the holder = 282 118 750 tenge;

Number of stocks for the date of calculation ( $NO_{ps1}$ ) = 225 695 pieces.

**Chairman of the Board**

**Orynbaev. K. B.**

**Chief Accountant**

**Suleimanova G. A.**



performers: Kartayeva Zh.A.

Iglikova A.M.

phone: 2599-710(5822/5087)

Two handwritten signatures in blue ink, one above the other, corresponding to the names Kartayeva Zh.A. and Iglikova A.M. listed next to them.