Tsesnabank JSC

Consolidated Financial Statements

for the year ended 31 December 2013

Contents

KPMG

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Board of Directors of Tsesnabank JSC

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Alla Nigay
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.536
of 10 January 2003

Ashley Clarke
Audit Partner

KPMG Audit LLC

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

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

8 April 2014

	Note	2013 KZT'000	2012 KZT'000
Interest income	5	79,460,825	56,227,637
Interest expense	5	(40,942,363)	(27,660,742)
Net interest income		**38,518,462**	**28,566,895**
Fee and commission income	6	9,016,331	8,165,623
Fee and commission expense	7	(2,378,661)	(1,401,104)
Net fee and commission income		**6,637,670**	**6,764,519**
Gross insurance premiums written	8	15,892,350	9,271,641
Written premiums ceded to reinsurers	8	(9,464,016)	(5,374,184)
Net insurance premiums written		**6,428,334**	**3,897,457**
Change in the gross provision for unearned premiums	8	(1,918,568)	(1,865,937)
Reinsurer's share of change in the gross provision for unearned premiums	8	504,723	830,670
Net earned insurance premiums		**5,014,489**	**2,862,190**
Insurance claims incurred		(3,230,631)	(845,226)
Reinsurers' share of insurance claims incurred		1,612,806	320,830
Insurance claims incurred, net of reinsurance	9	**(1,617,825)**	**(524,396)**
Change in gross insurance contract provisions	9	(674,907)	(680,399)
Change in reinsurers' share in insurance contract provisions	9	115,035	480,877
Net insurance claims incurred		**(2,177,697)**	**(723,918)**
Net (loss)/gain on financial instruments at fair value through profit or loss	10	(59,981)	251,240
Net foreign exchange gain	11	3,441,391	1,970,741
Net gain on available-for-sale financial assets		-	74,533
Dividend income		3,814	18,415
Other income		84,674	42,010
Other operating income		**3,469,898**	**2,356,939**
Impairment losses	12	(9,569,507)	(8,165,121)
Personnel expenses	13	(11,222,827)	(8,521,173)
Other general administrative expenses	14	(12,659,142)	(9,254,307)
Other operating expenses		**(33,451,476)**	**(25,940,601)**
Profit before income tax		**18,011,346**	**13,886,024**
Income tax expense	15	(3,719,294)	(3,008,286)
Profit for the year		**14,292,052**	**10,877,738**
Profit attributable to:			
- Equity holders of the Bank		14,292,052	10,872,334
- Non-controlling interests		-	5,404
Profit for the year		**14,292,052**	**10,877,738**

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

	Note	2013 KZT'000	2012 KZT'000
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(20,610)	17,270
- Net change in fair value transferred to profit and loss		22,923	(74,533)
Foreign currency translation differences for foreign operations		-	(78,453)
Total items that are or may be reclassified subsequently to profit or loss		*2,313*	*(135,716)*
Other comprehensive income for the year		**2,313**	**(135,716)**
Total comprehensive income for the year		**14,294,365**	**10,742,022**
Total comprehensive income attributable to:			
- Equity holders of the Bank		14,294,365	10,735,906
- Non-controlling interests		-	6,116
Total comprehensive income for the year		**14,294,365**	**10,742,022**
Basic and diluted earnings per ordinary share (in KZT)	33	445	377

The consolidated financial statements as set out on pages 5 to 99 were approved by the management on 8 April 2014 and were signed on its behalf by:

Zhaksybek D.A.
Chairman of the Management Board

Bagautdinova N.M.
Chief Accountant

	Note	31 December 2013 KZT'000	31 December 2012 KZT'000
ASSETS			
Cash and cash equivalents	16	96,822,331	42,282,426
Deposits and balances with banks and other financial institutions	17	5,553,941	8,456,038
Financial instruments at fair value through profit or loss			
- Held by the Group	18	9,855,998	31,092,844
- Pledged under sale and repurchase agreements	18	10,900,232	-
Available-for-sale financial assets	19	5,133,210	5,600,340
Loans to customers	20	674,158,351	480,438,042
Held-to-maturity investments			
- Held by the Group	21	22,303,206	18,073,395
- Pledged under sale and repurchase agreements	21	5,913,997	-
Amounts receivable under reverse repurchase agreements	22	2,905,004	277,005
Property, equipment and intangible assets	23	20,404,603	10,823,149
Investment property	24	-	1,267,483
Current tax asset		2,559,767	154,710
Deferred tax asset	15	10,475	-
Other assets	25	26,491,638	22,966,988
Total assets		**883,012,753**	**621,432,420**
LIABILITIES			
Deposits and balances from banks and other financial institutions	26	23,307,412	7,786,891
Current accounts and deposits from customers	27	694,680,088	518,429,918
Debt securities issued	28	21,245,781	8,970,263
Subordinated debt	29	44,493,601	30,107,734
Amounts payable under repurchase agreements	30	15,945,917	-
Deferred tax liability	15	2,594,212	253,099
Current tax liability		4,429	-
Other liabilities	31	12,016,774	7,449,176
Total liabilities		**814,288,214**	**572,997,081**
EQUITY	32		
Share capital		38,634,015	32,409,788
Additional paid-in capital		49,082	27,675
Revaluation reserve for land and buildings		8,487	12,191
Revaluation reserve for available-for-sale financial assets		(24,958)	(27,983)
Reserve for general banking and insurance risks		12,131,875	6,989,704
Dynamic reserve		16,631,209	-
Retained earnings		1,294,829	8,772,453
Total equity attributable to equity holders of the Group		**68,724,539**	**48,183,828**
Non-controlling interests		-	251,511
Total equity		**68,724,539**	**48,435,339**
Total liabilities and equity		**883,012,753**	**621,432,420**

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

	2013 KZT'000	2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	65,844,636	49,492,939
Interest payments	(38,658,447)	(28,420,278)
Fee and commission receipts	8,332,467	7,741,220
Fee and commission payments	(2,180,829)	(1,486,927)
Insurance premiums received	16,050,556	5,925,339
Insurance premiums paid to reinsurers	(7,952,802)	(3,021,604)
Net insurance claims paid	(3,886,050)	(520,855)
Net receipts from financial instruments at fair value through profit or loss	16,312	251,240
Net receipts from foreign exchange	3,534,401	1,966,471
Dividends received	3,121	18,295
Other income receipts	81,956	39,762
Personnel and other general administrative expenses	(20,419,763)	(16,897,300)
(Increase) decrease in operating assets		
Deposits and balances with banks and other financial institutions	2,964,332	(3,726,355)
Amounts receivable under reverse repurchase agreements	(2,627,999)	(277,005)
Financial instruments at fair value through profit or loss	10,086,099	10,476,425
Loans to customers	(184,410,560)	(146,540,392)
Other assets	(778,733)	(1,945,383)
Increase (decrease) in operating liabilities		
Due to the Government of the Republic of Kazakhstan	-	(15,429)
Deposits and balances from banks and other financial institutions	15,305,494	(9,649,050)
Current accounts and deposits from customers	170,334,086	173,717,571
Amounts payable under repurchase agreements	15,944,006	(18,586,009)
Other liabilities	1,442,941	2,248,860
Net cash from operating activities before income tax paid	**49,025,224**	**20,791,535**
Income tax paid	(3,772,055)	(2,664,084)
Cash flows from operations	**45,253,169**	**18,127,451**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	-	(3,894,138)
Sale and repayment of available-for-sale financial assets	450,064	1,940,996
Purchases of held-to-maturity investments	(19,715,659)	(24,154,201)
Redemption of held-to-maturity investments	9,515,385	11,681,310
Purchases of property, equipment and intangible assets	(13,704,084)	(2,433,100)
Proceeds of sales of property and equipment	1,297,331	12,442
Acquisition of minority interest	(232,050)	-
Advance consideration	(978,213)	(6,767,100)
Cash flows used in investing activities	**(23,367,226)**	**(23,613,791)**

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

	2013 KZT'000	2012 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Placement of subordinated debt	15,336,898	15,835,803
Repayment of subordinated debt	(1,432,851)	(2,244,588)
Redemption of debt securities	-	(2,961,730)
Placement of debt securities issued	12,054,715	3,387,824
Proceeds from issuance of share capital	6,300,000	5,040,000
Re-purchase of treasury shares	(52,982)	(111,042)
Cash flows from financing activities	**32,205,780**	**18,946,267**
Net increase in cash and cash equivalents	**54,091,723**	**13,459,927**
Effect of changes in exchange rates on cash and cash equivalents	448,182	174,919
Cash and cash equivalents as at the beginning of the year	42,282,426	28,647,580
Cash and cash equivalents as at the end of the year (Note 16)	**96,822,331**	**42,282,426**

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

KZT'000	Attributable to equity holders of the Group								Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Revaluation reserve for land and buildings	Revaluation reserve for available-for-sale financial assets	Reserve for general banking and insurance risks	Dynamic reserve	Retained earnings	Total		
Balance as at 1 January 2013	32,409,788	27,675	12,191	(27,983)	6,989,704	-	8,772,453	48,183,828	251,511	48,435,339
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	14,292,052	14,292,052	-	14,292,052
Other comprehensive income										
Items that are or may be reclassified subsequently to profit or loss:										
Net change in fair value of available-for-sale financial assets	-	-	-	(20,610)	-	-	-	(20,610)	-	(20,610)
Net change in fair value transferred to profit and loss	-	-	-	22,923	-	-	-	22,923	-	22,923
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*2,313*	-	-	-	*2,313*	-	*2,313*
Total other comprehensive income	-	-	-	2,313	-	-	-	2,313	-	2,313
Total comprehensive income for the year	-	-	-	**2,313**	-	-	**14,292,052**	**14,294,365**	-	**14,294,365**
Transactions with owners, recorded directly in equity										
Shares issued	6,300,000	-	-	-	-	-	-	6,300,000	-	6,300,000
Treasury shares acquired	(75,773)	2,658	-	-	-	-	-	(73,115)	-	(73,115)
Acquisition of minority interest	-	18,749	-	712	-	-	-	19,461	(251,511)	(232,050)
Total transactions with owners	**6,224,227**	**21,407**	**-**	**712**	**-**	**-**	**-**	**6,246,346**	**(251,511)**	**5,994,835**
Amortisation of revaluation reserve for land and buildings	-	-	(3,704)	-	-	-	3,704	-	-	-
Transfer to mandatory reserve (Note 32(e))	-	-	-	-	5,142,171		(5,142,171)	-	-	-
Transfer to dynamic reserve (Note 32(f))	-	-	-	-	-	16,631,209	(16,631,209)	-	-	-
Balance as at 31 December 2013	**38,634,015**	**49,082**	**8,487**	**(24,958)**	**12,131,875**	**16,631,209**	**1,294,829**	**68,724,539**	**-**	**68,724,539**

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

KZT'000	Attributable to equity holders of the Group									
	Share capital	**Additional paid-in capital**	**Revaluation reserve for land and buildings**	**Revaluation reserve for available-for-sale financial assets**	**Cumulative translation reserve**	**Reserve for general banking and insurance risks**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2012	27,480,830	27,539	13,247	29,992	78,453	2,843,529	2,045,238	32,518,828	245,395	32,764,223
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	10,872,334	10,872,334	5,404	10,877,738
Other comprehensive income										
Items that are or may be reclassified subsequently to profit or loss:										
Net change in fair value of available-for-sale financial assets	-	-	-	16,558	-	-	-	16,558	712	17,270
Net change in fair value transferred to profit and loss	-	-	-	(74,533)	-	-	-	(74,533)	-	(74,533)
Foreign currency translation differences for foreign operations	-	-	-	-	(78,453)	-	-	(78,453)	-	(78,453)
Total items that are or may be reclassified subsequently to profit or loss	-	-		*(57,975)*	*(78,453)*	-	-	*(136,428)*	*712*	*(135,716)*
Total other comprehensive income	-	-	-	(57,975)	(78,453)	-	-	(136,428)	712	(135,716)
Total comprehensive income for the year	-	-	-	**(57,975)**	**(78,453)**	-	**10,872,334**	**10,735,906**	**6,116**	**10,742,022**
Transactions with owners, recorded directly in equity										
Shares issued	5,040,000	-	-	-	-	-	-	5,040,000	-	5,040,000
Treasury shares acquired	(111,042)	136	-	-	-	-	-	(110,906)	-	(110,906)
Total transactions with owners	**4,928,958**	**136**	-	-	-	-	-	**4,929,094**	-	**4,929,094**
Amortisation of revaluation reserve for land and buildings	-	-	(1,056)	-	-	-	1,056	-	-	-
Transfer to mandatory reserve (Note 32(e))	-	-	-	-	-	4,146,175	(4,146,175)	-	-	-
Balance as at 31 December 2012	**32,409,788**	**27,675**	**12,191**	**(27,983)**	-	**6,989,704**	**8,772,453**	**48,183,828**	**251,511**	**48,435,339**

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

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of Tsesnabank JSC (the "Bank") and its subsidiaries (together referred to as the "Group"). The subsidiaries include insurance, securities trading and asset management companies, a special purpose entity and a debt collection management company.

The Bank was established in the Republic of Kazakhstan as an open joint stock company under the laws of the Republic of Kazakhstan on 17 January 1992. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint stock company on 26 December 2003. The Bank operates based on general license #1.2.74/74/29 for banking operations and activities on securities market granted on 12 October 2009 by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA"). The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Committee on the Regulation and Supervision of Financial Markets and Financial Organisations of the National Bank of the Republic of Kazakhstan (the "FMSC") and the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank has a general banking license, and is a member of the state deposit insurance system in Kazakhstan.

On 3 January 2007 the Bank established a subsidiary, Tsesna International B.V., which is a special purpose entity intended to raise funds on international capital markets and make these funds available to the Bank. As at 31 December 2013 and 2012, the Bank owned 100% of the share capital of Tsesna International B.V.

In accordance with the resolutions of the FMSA #65 and #66 dated 18 May 2010 the Bank was given a permission to purchase a subsidiary, Subsidiary Company of Tsesnabank Insurance Company Tsesna Garant JSC ("Tsesna Garant"). The primary business activity of Tsesna Garant is insurance of vehicle owners' civil liability, employers' civil liability, property, cargo, vehicle, air, railway and water transport, casualty and other insurance.

During the year ended 31 December 2011, the Bank obtained control over Tsesna Capital JSC. As at 31 December 2012 the share of ownership of the Bank in Tsesna Capital JSC comprises 76.80% of share capital. In 2013 the Bank acquired the remaining portion of 23.20% of the share capital of Tsesna Capital JSC.

As at 31 December 2013 the Bank had 22 branches (31 December 2012: 21) and 130 sub-branches (31 December 2012: 103) from which it conducts business throughout the Republic of Kazakhstan. The registered address of the head office is 29, Zhenis Avenue, Astana, Republic of Kazakhstan. The majority of the Group's assets and liabilities are located in Kazakhstan.

The subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership % 31 December 2013	Ownership % 31 December 2012
Tsesna International B.V.	Netherlands	Raising funds on international capital markets and making these funds available to the Bank	100.00	100.00
Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC	Kazakhstan	Insurance activity	100.00	100.00
Tsesna Capital JSC	Kazakhstan	Brokerage and dealing activity	100.00	76.80
Subsidiary Company of Tsesnabank JSC OUSA Tsesna LLC	Kazakhstan	Debt collection management	100.00	-

1 Background, continued

(a) Organisation and operations, continued

At 31 December 2013, Financial Holding Tsesna JSC, Tsesna Corporation JSC and United Accumulated Pension Fund JSC owned 43.98%, 14.29% and 8.28% of the outstanding common shares of the Bank, respectively (31 December 2012: Financial Holding Tsesna JSC, Tsesna Corporation JSC and Accumulated Pension Fund Respublika JSC owned 48.94%, 15.91%, and 9.24%). Other shareholders have less than 5% of the outstanding shares each.

(b) Business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

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

- loan impairment estimates - Note 20
- insurance contract provisions – Note 31
- estimates of fair value of financial instruments – Note 41.

2 Basis for preparation, continued

(e) Changes in accounting policies

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

- IFRS 10 *Consolidated Financial statements* (see (i))
- IFRS 11 *Joint Arrangements* (see (ii))
- IFRS 12 *Disclosure of Interests in Other Entities* (see (iii))
- IFRS 13 *Fair Value Measurements* (see (iv))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (see (v))
- *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (vi)).

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

(i) Subsidiaries, including structured entities

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

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

(ii) Joint arrangements

As a result of adoption of IFRS 11, the Group changed its accounting policy for its interest in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

IFRS 11 does not have any impact on the Group because the Group does not have interests in joint ventures.

(iii) Disclosure of Interests in Other Entities

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

Adoption of IFRS 12 has no impact on the consolidated financial statements of the Group.

2 Basis of preparation, continued

(e) Changes in accounting policies, continued

(iv) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures* (see Note 41).

As a result, the Group adopted a new definition of fair value, as set out in note 3(e) (vi). The change had no significant impact on the measurements of assets and liabilities. However, the Group included new disclosures in the consolidated financial statements that are required under IFRS 13, comparatives not restated.

(v) Presentation of items of other comprehensive income

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

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

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

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

The Group included new disclosures in the financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures.

(f) Changes in presentation – prior year reclassification

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

In the consolidated statement of financial position as at 31 December 2012 mandatory reserve with the NBRK of KZT 6,845,307 thousand was reclassified from deposits and balances with banks and other financial institutions to cash and cash equivalents. As a result, in the consolidated statement of cash flows for the year ended 31 December 2012 cash flows used in operating activities decreased by KZT 2,470,913 thousand. Management believes that this presentation is more appropriate in accordance with IFRS and provides a clearer view of the consolidated financial position and performance of the Group.

Also as at 31 December 2012 the Group presented the amounts receivable under reverse repurchase agreements as a separate line in the consolidated statement of financial position to conform presentation in the current year.

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

2 Basis of preparation, continued

(f) Changes in presentation – prior year reclassification, continued

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Consolidated statement of financial position as at 31 December 2012			
Cash and cash equivalents	42,282,426	6,845,307	35,437,119
Deposits and balances with banks and other financial institutions	8,456,038	(7,122,312)	15,578,350
Amounts receivable under reverse repurchase agreements	277,005	277,005	-
Consolidated statement of cash flows for the year ended 31 December 2012			
Mandatory reserves	-	(2,470,913)	2,470,913
Deposits and balances with banks and other financial institutions	(3,726,355)	277,005	(4,003,360)
Amounts receivable under reverse repurchase agreements	(277,005)	(277,005)	-
Net cash from operating activities before income tax paid	20,791,535	(2,470,913)	23,262,448
Cash flows from operations	18,127,451	(2,470,913)	20,598,364
Cash and cash equivalents as at the beginning of the year	28,647,580	9,316,220	19,331,360
Cash and cash equivalents as at the end of the year	42,282,426	6,845,307	35,437,119

In 2012, the Group also presented gross insurance premiums written, written premiums ceded to reinsurers, change in the gross provision for unearned premiums, reinsurer's share of change in the gross provision for unearned premiums, insurance claims incurred, reinsurers' share of insurance claims incurred, change in gross insurance contract provisions, change in reinsurers' share in insurance contract provisions by grossing up these items in the consolidated statement of profit and loss and other comprehensive income to conform presentation in the current year. The above reclassifications do not impact the Group's results or equity.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(i) Business combinations, continued

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred

(ii) Subsidiaries

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

(iii) Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

(iv) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(v) Acquisitions of entities under common control

The assets and liabilities acquired as a result of the acquisition of a controlling interest in an entity that is under the control of the beneficiaries of the Group are recognised at their carrying amounts, as recognised in the individual financial statements of the subsidiary acquired. The difference between the consideration paid for the acquisition and the carrying value of net assets acquired is recognised directly in equity attributable to equity holders of the Group.

(vi) Acquisitions and disposals of non-controlling interests

The Group accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

(vii) Transactions eliminated on consolidation

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

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(viii) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Non-controlling interests

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

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

(c) Foreign currency

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

(d) Cash and cash equivalents

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

(e) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments), or
- upon initial recognition, designated as at fair value through profit or loss.

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

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

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

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

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

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale, or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale, or
- meet the definition of loans and receivables.

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

(ii) Recognition

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iii) Measurement

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

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

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

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

(iv) Amortised cost

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

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

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

(vi) Fair value measurement principles

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

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(vi) Fair value measurement principles, continued

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

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

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

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

(vii) Gains and losses on subsequent measurement

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

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

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

(viii) Derecognition

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(viii) Derecognition, continued

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

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

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

The Group writes off assets deemed to be uncollectible.

(ix) Repurchase and reverse repurchase agreements

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

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

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

(x) Derivative financial instruments

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

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

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

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(xi) Offsetting

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

(f) Property and equipment

(i) Owned assets

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

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

(ii) Revaluation

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

Management uses independent valuation firms to estimate the fair value of land and buildings. The valuation firms typically use the income approach and the comparable sales approach, or a combination of the two, depending on the availability and reliability of information.

(iii) Depreciation

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

- Buildings	25 to 55 years
- Computer equipment	5 to 10 years
- Motor vehicles	7 years
- Other	2 to 20 years.

(g) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life is 3.5 years.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at historical cost.

When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

3 Significant accounting policies, continued

(i) Impairment

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

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

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

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

(i) Financial assets carried at amortised cost

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

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

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

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

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

3 Significant accounting policies, continued

(i) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

(ii) Financial assets carried at cost

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

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

(iii) Available-for-sale financial assets

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

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

(iv) Non financial assets

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

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

3 Significant accounting policies, continued

(j) Provisions

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

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(k) Credit related commitments

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

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

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

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

Loan commitments are not recognised, except for the following:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss
- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

(l) Share capital

(i) Ordinary shares

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

(ii) Cumulative non-redeemable preference shares

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

3 Significant accounting policies, continued

(l) Share capital, continued

(iii) Repurchase of share capital

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

(iv) Dividends

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

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

(m) Taxation

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

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

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

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

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

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

(n) Income and expense recognition

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

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

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

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

3 Significant accounting policies, continued

(o) Income and expense recognition, continued

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

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

(p) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.The Group's operations are highly integrated and constitute two operating business segments for the purposes of IFRS 8 *Operating Segments*: banking and insurance.

(q) Insurance contracts

(i) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

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

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

(ii) Recognition and measurement of contracts

Premiums

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue.

Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Unearned premium provision

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

3 Significant accounting policies, continued

(q) Insurance contracts, continued

(ii) Recognition and measurement of contracts, continued

Claims

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

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

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

(iii) Reinsurance assets

The Group cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of its rights under such contracts.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as reinsurers' share in insurance contract provisions in the consolidated statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(iv) Insurance acquisition costs

Acquisition costs include direct costs such as commissions paid to insurance agents and brokers and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Insurance acquisition costs are expensed as incurred.

3 Significant accounting policies, continued

(q) Insurance contracts, continued

(v) Liability adequacy test

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a shortfall is identified an additional provision is established. The deficiency is recognised in profit or loss for the year.

(vi) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(r) New standards and interpretations not yet adopted

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

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

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

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

4 Insurance risk management

The Group issues contracts that transfer insurance risk. This section summarises these risks and the way the Group manages them.

(a) Risk management objectives and policies for mitigating insurance risk

The Group's management of insurance is a critical aspect of the business. For insurance contracts, the objective is to select assets with duration and a maturity value which match the expected cash flows from the claims on those portfolios.

The primary insurance and reinsurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, cargo, health, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Group manages its insurance risk through underwriting limits; approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The theory of probability is applied to the pricing and provisioning for insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(i) Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in the business plan that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Group is prepared to underwrite. The strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the special attention of the Board of Directors of Tsesna Garant.

(ii) Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys facultative and Excess-of-Loss (XL) based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency.

Ceded reinsurance contains credit risk, and such reinsurance recoveries are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The Group does not utilise any stop-loss reinsurance.

(b) Terms and conditions of insurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Group's main products and the ways in which it manages the associated risks.

4 Insurance risk management, continued

(b) Terms and conditions of insurance contracts and nature of risks covered, continued

(i) Insurance contracts – Vehicles owner's civil liability and general civil liability

Product features

The Group undertakes general civil liability insurance on compulsory and voluntary types of insurance in the Republic of Kazakhstan, and vehicles owner's civil liability on compulsory types of insurance in the Republic of Kazakhstan. Under these contracts policyholders are reimbursed for any monetary compensation awards paid for the injury caused to body, life, health and (or) property of the third parties. General civil liability is generally considered a 'long tail' line, as it takes a relatively long period of time to finalise and settle claims for a given accident year.

Risk management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. Insurance risk is managed primarily through appropriate pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(ii) Insurance contracts – Property

Product features

Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to its own material property and business interruption arising from this damage.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (such as a fire or burglary) and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short-tail', contrasted with 'long-tail' classes where the ultimate claim cost takes longer to determine.

Risk management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio.

Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

4 Insurance risk management, continued

(b) Terms and conditions of insurance contracts and nature of risks covered, continued

(iii) Insurance contracts – Cargo

Product features

The Group writes cargo insurance. Cargo insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage of cargo during transportation to the buyers. The return to shareholders under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group. The event giving rise to a claim could be characterised as "low effect – high frequency" and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Cargo business is therefore classified as 'short-tail'.

Risk management

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk. The Group will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different routes it insures. The risk on any policy will vary according to many factors such as route and destination, safety measures of the carrier, nature of cargo etc. Many commercial cargo proposals will comprise a unique combination of route and destination, type of cargo, and safety measures accepted by carriers. Calculating a premium commensurate with the risk for these policies will be subjective.

Cargo classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a cargo portfolio. Insurance risk is managed primarily through appropriate pricing, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates. Within the insurance process, it is unlikely that concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Cargo supplies are generally made by limited batches and various supplies are not connected.

(c) Concentration of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography or demographic trend.

The Group's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Group purchases reinsurance coverage for various classes of its liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

(d) Total aggregate exposures

The Group sets out the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Group is exposed. The Group uses a number of modelling tools to monitor aggregation in order to measure the effectiveness of the reinsurance programmes and the net exposure to which the Group is exposed.

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

As at 31 December 2013 the Group has 828,058 insurance agreements in force (31 December 2012: 616,307).

(i) Exposure to various business lines

The key concentrations identified as at 31 December 2013 are:

Insurance type	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Vehicles owner's liability – obligatory	2,206,472,097	1,829,557,475	376,914,622
Civil liability of passenger carrier – obligatory	420,730,511	-	420,730,511
Property – voluntary	198,030,722	22,608,815	175,421,907
Transport and cargo – voluntary	96,195,019	16,709,891	79,485,128
General civil liability – voluntary	31,805,516	3,025,005	28,780,511
Other obligatory	17,578,396	-	17,578,396
Casualty – voluntary	12,703,067	265,956	12,437,111
Other voluntary	13,411,255	52,500	13,358,755
Financial losses liability – voluntary	9,019	-	9,019
Total	**2,996,935,602**	**1,872,219,642**	**1,124,715,960**

(ii) Exposure by other countries

The Group is not exposed to risks in any countries other than the Republic of Kazakhstan, as the Group has no insurance contracts covering risk outside the Republic of Kazakhstan.

(iii) Exposure to catastrophe events

The Group is not exposed to risks of earthquakes, as it has no property insurance contracts covering losses resulted from earthquake.

(e) Claims development

The Group uses statistical methods for insurance contract provisioning. Uncertainty about the amount and timing of claims payment for all insurance contracts is typically resolved within one year.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, users of these consolidated financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the estimate of total claims outstanding as of the end of 2013 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of claims development (gross) – total

	Accident year				
KZT'000	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of cumulative claims					
At end of accident year	4,092	90,942	1,536,953	3,776,419	5,408,406
- one year later	1,745	105,426	1,430,556	-	1,537,727
- two years later	1,745	134,289	-	-	136,034
- three years later	1,745	-	-	-	1,745
Estimate of cumulative claims	**1,745**	**134,289**	**1,430,556**	**3,776,419**	**5,343,009**
Cumulative payments to date	(1,745)	(129,716)	(1,375,931)	(2,424,028)	(3,931,420)
Gross outstanding claims liabilities	**-**	**4,573**	**54,625**	**1,352,391**	**1,411,589**

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development (gross) – Vehicle owner's civil liability

	Accident year				
KZT'000	2010	2011	2012	2013	Total
Estimate of cumulative claims					
At end of accident year	982	42,243	1,209,012	2,769,209	4,021,446
- one year later	789	81,634	1,092,515	-	1,174,938
- two years later	789	83,521	-	-	84,310
- three years later	789	-	-	-	789
Estimate of cumulative claims	**789**	**83,521**	**1,092,515**	**2,769,209**	**3,946,034**
Cumulative payments to date	(789)	(79,849)	(1,055,819)	(1,888,856)	(3,025,313)
Gross outstanding claims liabilities	**-**	**3,672**	**36,696**	**880,353**	**920,721**

5 Net interest income

	2013 KZT'000	2012 KZT'000
Interest income		
Loans to customers	76,444,431	54,222,097
Held-to-maturity investments	1,324,845	181,897
Financial instruments at fair value through profit or loss	893,416	1,324,383
Deposits and balances with banks and other financial institutions	609,339	388,718
Available-for-sale financial assets	129,530	88,462
Amounts receivable under reverse repurchase agreements	56,133	-
Cash and cash equivalents	3,131	22,080
	79,460,825	**56,227,637**
Interest expense		
Current accounts and deposits from customers	(35,196,079)	(23,758,589)
Subordinated debt	(3,469,992)	(2,069,687)
Debt securities issued	(1,134,628)	(747,455)
Deposits and balances from banks and other financial institutions	(934,048)	(901,496)
Amounts payable under repurchase agreements	(207,616)	(183,254)
Due to the Government of the Republic of Kazakhstan	-	(261)
	(40,942,363)	**(27,660,742)**
	38,518,462	**28,566,895**

Included within various line items under interest income for the year ended 31 December 2013 is a total of KZT 2,139,336 thousand (year ended 31 December 2012: KZT 1,163,559 thousand) accrued on individually impaired financial assets.

Included in interest income on financial instruments at fair value through profit or loss for the year ended 31 December 2013 is a total of KZT 893,416 thousand (year ended 31 December 2012: KZT 1,324,383 thousand) recognised on financial assets at fair value through profit or loss held for trading.

Interest income and expense calculated using the effective interest method and relating to financial assets or liabilities not carried at fair value through profit of loss is KZT 78,567,409 thousand (year ended 31 December 2012: KZT 54,903,254 thousand) and KZT 40,942,363 thousand (year ended 31 December 2012: KZT 27,660,742 thousand), respectively.

6 Fee and commission income

	2013 KZT'000	2012 KZT'000
Guarantee and letter of credit issuance fees	2,304,964	3,378,917
Transfer operations	2,284,587	1,693,050
Cash withdrawal fees	1,622,738	1,224,290
Settlement fees	830,993	613,504
Foreign exchange fees	818,929	796,217
Early repayment fees on loans	424,227	-
Cash collection fees	35,607	31,130
Other	694,286	428,515
	9,016,331	**8,165,623**

7 Fee and commission expense

	2013 KZT'000	2012 KZT'000
Insurance acquisition costs	1,576,010	612,029
Client card account maintenance fees	266,204	192,226
Commission expense on received deposits	225,341	263,220
Transfer operations	128,663	107,043
Commission expenses on guarantees issued	58,001	16,231
Commission expenses on credit letters	50,209	8,387
Brokers' and insurance agents' services	14,644	9,284
Other	59,589	192,684
	2,378,661	**1,401,104**

8 Net earned insurance premiums

	Obligatory		Voluntary				
2013 **'000 KZT**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Gross premiums written	6,323,111	420,103	1,336,637	2,281,636	4,967,857	563,006	15,892,350
Change in the gross provision for unearned premiums	(501,439)	(40,604)	35,555	36,412	(1,449,626)	1,134	(1,918,568)
Gross earned premiums	**5,821,672**	**379,499**	**1,372,192**	**2,318,048**	**3,518,231**	**564,140**	**13,973,782**
Less: written premiums ceded to reinsurers	(5,094,223)	-	(882,316)	(1,446,301)	(2,023,741)	(17,435)	(9,464,016)
Reinsurers' share of change in the gross provision for unearned premiums	809,648	-	(137,452)	(8,656)	(153,508)	(5,309)	504,723
Ceded earned premiums	**(4,284,575)**	**-**	**(1,019,768)**	**(1,454,957)**	**(2,177,249)**	**(22,744)**	**(8,959,293)**
Net earned premiums	**1,537,097**	**379,499**	**352,424**	**863,091**	**1,340,982**	**541,396**	**5,014,489**

	Obligatory		Voluntary				
2012 **'000 KZT**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Gross premiums written	4,337,044	280,486	1,432,558	1,075,704	1,768,506	377,343	9,271,641
Change in the gross provision for unearned premiums	(1,613,705)	70,815	(170,706)	97,723	(335,018)	84,954	(1,865,937)
Gross earned premiums	**2,723,339**	**351,301**	**1,261,852**	**1,173,427**	**1,433,488**	**462,297**	**7,405,704**
Less: written premiums ceded to reinsurers	(2,003,267)	(19,730)	(890,690)	(932,059)	(1,468,742)	(59,696)	(5,374,184)
Reinsurers' share of change in the gross provision for unearned premiums	987,903	(91,062)	31,371	(165,248)	199,241	(131,535)	830,670
Ceded earned premiums	**(1,015,364)**	**(110,792)**	**(859,319)**	**(1,097,307)**	**(1,269,501)**	**(191,231)**	**(4,543,514)**
Net earned premiums	**1,707,975**	**240,509**	**402,533**	**76,120**	**163,987**	**271,066**	**2,862,190**

9 Net insurance claims incurred

2013 '000 KZT	Obligatory		Voluntary				
	Vehicle owner's liability	Other obligatory	Property	Civil liability	Transport and cargo	Other voluntary	Total
Insurance claims incurred, net of reinsurance	**(866,267)**	**(63,631)**	**(4,784)**	**(8,068)**	**(356,839)**	**(318,236)**	**(1,617,825)**
Change in provisions for incurred but not reported claims	(254,845)	(6,819)	(27,764)	(112,834)	(132,435)	(18,279)	(552,976)
Change in provisions for reported but not settled claims	(53,745)	(25,519)	(2,841)	(14,622)	(28,509)	3,305	(121,931)
Change in reinsurers' share in claims provisions	128,464	-	-	-	(13,429)	-	115,035
Change in net insurance contract provisions	**(180,126)**	**(32,338)**	**(30,605)**	**(127,456)**	**(174,373)**	**(14,974)**	**(559,872)**
Net insurance claims incurred	**(1,046,393)**	**(95,969)**	**(35,389)**	**(135,524)**	**(531,212)**	**(333,210)**	**(2,177,697)**

2012 '000 KZT	Obligatory		Voluntary				
	Vehicle owner's liability	Other obligatory	Property	Civil liability	Transport and cargo	Other voluntary	Total
Insurance claims incurred, net of reinsurance	**(285,905)**	**(32,454)**	**(14,858)**	**(17,437)**	**(81,343)**	**(92,399)**	**(524,396)**
Change in provisions for incurred but not reported claims	(579,633)	(4,331)	(30,782)	573	(12,840)	(15,220)	(642,233)
Change in provisions for reported but not settled claims	(24,632)	(467)	-	(265)	(6,093)	(6,709)	(38,166)
Change in reinsurers' share in claims provisions	480,877	-	(1)	(1)	-	2	480,877
Change in net insurance contract provisions	**(123,388)**	**(4,798)**	**(30,783)**	**307**	**(18,933)**	**(21,927)**	**(199,522)**
Net insurance claims incurred	**(409,293)**	**(37,252)**	**(45,641)**	**(17,130)**	**(100,276)**	**(114,326)**	**(723,918)**

10 Net (loss)/gain on financial instruments at fair value through profit or loss

	2013 KZT'000	2012 KZT'000
Debt financial instruments	(43,250)	89,263
Equity financial instruments	(16,731)	161,977
	(59,981)	**251,240**

All net gain on financial instruments at fair value through profit or loss relates to financial assets held for trading.

11 Net foreign exchange gain

	2013 KZT'000	2012 KZT'000
Gain on spot transactions and derivatives	3,490,782	1,951,147
(Loss) gain from revaluation of financial assets and liabilities	(49,391)	19,594
	3,441,391	**1,970,741**

12 Impairment losses

	2013 KZT'000	2012 KZT'000
Loans to customers (Note 20)	8,691,046	7,693,513
Other assets (Note 25)	485,219	470,529
Held-to-maturity investments (Note 21)	384,321	-
Assets available-for-sale (Note 19)	10,000	-
Commitments	(1,079)	1,079
	9,569,507	**8,165,121**

13 Personnel expenses

	2013 KZT'000	2012 KZT'000
Employee compensation	10,425,600	7,920,846
Payroll related taxes	797,227	600,327
	11,222,827	**8,521,173**

14 Other general administrative expenses

	2013 KZT'000	2012 KZT'000
Occupancy	3,677,643	3,002,750
Depreciation and amortisation	1,370,360	883,396
Contributions to deposit insurance/insurance payment fund	1,078,159	718,565
Repairs and maintenance	1,077,122	672,428
Advertising and marketing	989,577	565,984
Taxes other than on income	926,727	786,868
Security	477,639	344,557
Transportation	475,210	371,533
Communications and information services	443,623	316,267
Registration of auto credit	367,430	-
Stationery and office equipment supplies	342,614	314,720
Travel expenses	271,934	199,100
Charity	185,253	360,447
Encashment expenses	140,543	108,806
Professional services	122,312	122,536
Post and courier services	75,720	21,920
Recruitment and training	34,459	38,770
Market maker services	3,633	16,581
Insurance	2,412	8,192
Other	596,772	400,887
	12,659,142	9,254,307

15 Income tax expense

	2013 KZT'000	2012 KZT'000
Current tax expense		
Current year	(1,655,779)	(2,567,009)
Overprovided in prior periods	267,123	38,898
	(1,388,656)	**(2,528,111)**
Deferred tax expense		
Origination and reversal of temporary differences	(2,330,638)	(480,175)
Total income tax expense	**(3,719,294)**	**(3,008,286)**

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

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

	2013 KZT'000	%	2012 KZT'000	%
Profit before income tax	**18,011,346**	**100**	**13,886,024**	**100**
Income tax at the applicable tax rate	(3,602,269)	(20.0)	(2,777,205)	(20.0)
Overprovided in prior periods	267,123	1.5	38,898	0.2
Non -deductible expense	(384,148)	(2.1)	(269,979)	(1.9)
	(3,719,294)	**(20.6)**	**(3,008,286)**	**(21.7)**

15 Income tax expense, continued

Deferred tax asset and liability

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

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in ten years after the date of origination.

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

KZT'000	Balance 1 January 2013	Recognised in profit or loss	Balance 31 December 2013
Property, equipment and intangible assets	(3,629)	(605,726)	(609,355)
Loans to customers	(65,753)	(3,260,489)	(3,326,242)
Interest payable on deposits and balances from banks and other financial institutions	-	56,657	56,657
Interest payable on current accounts and deposits from customers	-	850,284	850,284
Interest payable on repurchase agreements	-	382	382
Interest payable on debt securities issued	-	72,045	72,045
Interest payable on subordinated debt	-	197,186	197,186
Other assets	(301,763)	301,763	-
Other liabilities	(30,570)	136,404	105,834
Tax losses carried forward	148,616	(79,144)	69,472
	(253,099)	**(2,330,638)**	**(2,583,737)**

KZT'000	Balance 1 January 2012	Recognised in profit or loss	Balance 31 December 2012
Property, equipment and intangible assets	(111,549)	107,920	(3,629)
Loans to customers	(3,526)	(62,227)	(65,753)
Other assets	-	(301,763)	(301,763)
Other liabilities	233,039	(263,609)	(30,570)
Tax losses carried forward	109,112	39,504	148,616
	227,076	**(480,175)**	**(253,099)**

16 Cash and cash equivalents

	2013 KZT'000	2012 KZT'000
Cash on hand	**15,478,867**	**10,306,476**
Nostro accounts with the NBRK	**10,621,684**	**29,447,090**
Nostro accounts with other banks		
- rated AA- to AA+	30,985,851	102,772
- rated A- to A+	37,510,906	1,827,316
- rated from BBB- to BBB+	191,736	122,598
- rated from BB- to BB+	73,640	148,872
- rated below B+	113,079	93,307
- not rated	193,796	71,066
Total nostro accounts with other banks	**69,069,008**	**2,365,931**
Current accounts and term deposits with other banks		
- rated A- to A+	8,973	39,244
- rated from BBB- to BBB+	-	3,167
- rated from BB- to BB+	902,417	6,906
- rated below B+	548,099	32,817
- rated from CCC- to CCC+	1,841	-
- not rated	191,442	80,795
Total current accounts and term deposits with other banks	**1,652,772**	**162,929**
Total cash and cash equivalents	**96,822,331**	**42,282,426**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

None of cash and cash equivalents are impaired or past due.

As at 31 December 2013 the Group has three banks (31 December 2012: one bank), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2013 is KZT 77,713,867 thousand (2012: KZT 29,447,090 thousand).

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the two week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Group liabilities. As at 31 December 2013 the minimum reserve is KZT 11,198,521 thousand (31 December 2012: KZT 6,845,307 thousand).

17 Deposits and balances with banks and other financial institutions

	2013 KZT'000	2012 KZT'000
Loans and deposits		
- rated A- to A+	-	399,985
- rated from BBB- to BBB+	341,945	321,128
- rated from BB- to BB+	18,290	25,485
- rated below B+	275,704	168
- not rated	4,918,002	7,709,272
- defaulted	48,130	48,130
Total loans and deposits	**5,602,071**	**8,504,168**
Impairment allowance	(48,130)	(48,130)
Net deposits and balances with banks and other financial institutions	**5,553,941**	**8,456,038**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

Overdue or impaired deposits and balances with banks and other financial institutions comprise deposits and balances with banks and other financial institutions overdue for more than 360 days of KZT 48,130 thousand (2012: overdue for more than 360 days of KZT 48,130 thousand).

The amount of loans and deposits with not rated banks includes KZT 1,697,585 thousand of subordinated debt (2012: KZT 1,660,994 thousand).

Concentration of deposits and balances with banks and other financial institutions

As at 31 December 2013 the Group has no banks (2012: no banks), whose balance exceeds 10% of equity.

18 Financial instruments at fair value through profit or loss

	2013 KZT'000	2012 KZT'000
Held by the Group		
Debt and other fixed-income instruments		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	6,878,257	24,156,643
- Total government bonds	**6,878,257**	**24,156,643**
- Corporate bonds		
rated from BBB- to BBB+	1,691,549	2,134,311
rated from BB- to BB+	1,232,646	4,716,701
not rated	3,661	-
- Total corporate bonds	**2,927,856**	**6,851,012**
Equity investments		
- Corporate shares	30,717	62,771
- American and Global depository receipts	19,168	22,418
Total equity investments	**49,885**	**85,189**
	9,855,998	**31,092,844**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	10,900,232	-
- Total government bonds	**10,900,232**	**-**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies. Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

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

19 Available-for-sale financial assets

	2013 KZT'000	2012 KZT'000
Held by the Group		
Debt instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	360,991	366,888
Total government bonds	**360,991**	**366,888**
Corporate bonds		
Corporate bonds rated from BBB- to BBB+	1,129,606	1,135,602
Corporate bonds rated from BB- to BB+	289,099	301,115
Total corporate bonds	**1,418,705**	**1,436,717**
Equity instruments		
Corporate shares	3,363,514	3,796,735
Impairment allowance	(10,000)	-
	5,133,210	**5,600,340**

19 Available-for-sale financial assets, continued

As at 31 December 2013 available-for-sale investments include unquoted equity securities stated at cost of KZT 10,743 thousand (2012: KZT 20,843 thousand). There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows.

20 Loans to customers

	2013 KZT'000	2012 KZT'000
Loans to corporate customers		
Loans to large corporates	192,307,150	301,970,707
Loans to small and medium size companies	389,584,575	134,135,348
Total loans to corporate customers	**581,891,725**	**436,106,055**
Loans to retail customers		
Mortgage loans	47,750,621	33,673,640
Car loans	42,303,694	4,115,217
Consumer loans	27,704,088	23,234,035
Express loans	2,638,825	1,206,821
Credit cards	109,133	89,053
Total loans to retail customers	**120,506,361**	**62,318,766**
Gross loans to customers	**702,398,086**	**498,424,821**
Impairment allowance	(28,239,735)	(17,986,779)
Net loans to customers	**674,158,351**	**480,438,042**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	13,080,721	4,906,058	17,986,779
Net charge	10,452,271	(1,761,225)	8,691,046
Foreign exchange effect	45,857	7,076	52,933
Write-offs	(7,756)	(23,309)	(31,065)
Recovery of previously written-off balances	903,118	636,924	1,540,042
Balance at the end of the year	**24,474,211**	**3,765,524**	**28,239,735**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year, unaudited	8,697,455	3,113,114	11,810,569
Net charge	5,884,830	1,808,683	7,693,513
Foreign exchange effect	-	34,669	34,669
Write-offs	(1,507,063)	(48,149)	(1,555,212)
Recovery of previously written-off balances	7,094	20	7,114
Effect of unwinding of discount	(1,595)	(2,279)	(3,874)
Balance at the end of the year	**13,080,721**	**4,906,058**	**17,986,779**

20 Loans to customers, continued

(a) Changes in presentation of comparative information

Following the amendments to the Law of the Republic of Kazakhstan "On private entrepreneurship" dated 31 January, 2006, which came into effect on 1 December 2013, the Group has updated its classification of loans to corporate customers applying these changes prospectively to the balances of loans to large corporate and loans to small and medium size companies disclosed as at 31 December, 2013.

Prior to these amendments the Group distinguished between loans to large corporate and loans to small and medium size entities based on the average number of employees and average annual value of assets of the borrowers. According to the new requirements of the Law "On private entrepreneurship", classification criteria for loans to corporate customers now include average number of employees more than 250 employees (the criteria is unchanged) and (or) average annual income for the last three years more than 3,000,000 times of monthly calculation index.

The Group has determined that retrospective application of updated classification would be impracticable due to the inability to determine period-specific effects of these changes in presentation on comparative information with the earliest practicable application date being 31 December, 2013. Since certain loans were repaid during the year 2013, the Group does not have information that would allow to fully update classification of loans to customers in accordance with the new legislation retrospectively as at 31 December 2012. However, the Group calculated the effect of these changes on loans remaining in the portfolio as at 31 December 2013. The gross amount of loans that have been transferred from the portfolio of loans to large corporate to loans to small and medium sized companies as at 31 December 2013 is KZT 212,376,671 thousand with a corresponding impairment allowance KZT 7,157,054 thousand.

20 Loans to customers, continued

(b) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	178,171,336	(1,426,947)	176,744,389	0.80
Impaired or overdue loans:				
- not overdue	8,518,563	(971,057)	7,547,506	11.40
- overdue more than 90 days and less than 1 year	5,109,306	(4,570,008)	539,298	89.44
- overdue more than 1 year	507,945	(503,306)	4,639	99.09
Total impaired or overdue loans	14,135,814	(6,044,371)	8,091,443	42.76
Total loans to large corporates	**192,307,150**	**(7,471,318)**	**184,835,832**	**3.89**
Loans to small and medium size companies				
Loans without individual signs of impairment	353,825,839	(2,735,921)	351,089,918	0.77
Impaired or overdue loans:				
- not overdue	22,820,536	(6,852,689)	15,967,847	30.03
- overdue less than 90 days	1,203,448	(178,088)	1,025,360	14.80
- overdue more than 90 days and less than 1 year	2,293,152	(1,272,632)	1,020,520	55.50
- overdue more than 1 year	9,441,600	(5,963,563)	3,478,037	63.16
Total impaired or overdue loans	35,758,736	(14,266,972)	21,491,764	39.90
Total loans to small and medium size companies	**389,584,575**	**(17,002,893)**	**372,581,682**	**4.36**
Total loans to corporate customers	**581,891,725**	**(24,474,211)**	**557,417,514**	**4.21**

20 Loans to customers, continued

(b) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not overdue	40,489,941	(22,256)	40,467,685	0.05
- overdue less than 30 days	664,830	(10,203)	654,627	1.53
- overdue 30-89 days	424,539	(12,864)	411,675	3.03
- overdue 90-179 days	391,764	(41,749)	350,015	10.66
- overdue more than 180 days	5,779,547	(1,754,316)	4,025,231	30.35
Total mortgage loans	**47,750,621**	**(1,841,388)**	**45,909,233**	**3.86**
Car loans				
- not overdue	39,556,716	(171,719)	39,384,997	0.43
- overdue less than 30 days	1,188,345	(161,186)	1,027,159	13.56
- overdue 30-89 days	1,107,886	(301,790)	806,096	27.24
- overdue 90-179 days	242,154	(71,244)	170,910	29.42
- overdue more than 180 days	208,593	(68,829)	139,764	33.00
Total car loans	**42,303,694**	**(774,768)**	**41,528,926**	**1.83**
Consumer loans				
- not overdue	23,215,313	(12,496)	23,202,817	0.05
- overdue less than 30 days	435,647	(9,220)	426,427	2.12
- overdue 30-89 days	286,430	(19,312)	267,118	6.74
- overdue 90-179 days	322,762	(44,311)	278,451	13.73
- overdue more than 180 days	3,443,936	(687,684)	2,756,252	19.97
Total consumer loans	**27,704,088**	**(773,023)**	**26,931,065**	**2.79**
Express loans				
- not overdue	2,226,979	(12,916)	2,214,063	0.58
- overdue less than 30 days	16,478	(2,485)	13,993	15.08
- overdue 30-89 days	32,442	(13,269)	19,173	40.90
- overdue 90-179 days	16,541	(13,890)	2,651	83.97
- overdue more than 180 days	346,385	(301,485)	44,900	87.04
Total express loans	**2,638,825**	**(344,045)**	**2,294,780**	**13.04**
Credit cards				
- not overdue	66,440	(227)	66,213	0.34
- overdue less than 30 days	6,114	(202)	5,912	3.30
- overdue 30-89 days	1,070	(200)	870	18.69
- overdue 90-179 days	195	(174)	21	89.23
- overdue more than 180 days	35,314	(31,497)	3,817	89.19
Total credit cards	**109,133**	**(32,300)**	**76,833**	**29.60**
Total loans to retail customers	**120,506,361**	**(3,765,524)**	**116,740,837**	**3.12**
Total loans to customers	**702,398,086**	**(28,239,735)**	**674,158,351**	**4.02**

20 Loans to customers, continued

(b) Credit quality of loans to customers, continued

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	291,721,459	(3,099,970)	288,621,489	1.06
Impaired or overdue loans:				
- not overdue	4,532,138	(629,704)	3,902,434	13.89
- overdue less than 90 days	6,101	(2,829)	3,272	46.37
- overdue more than 90 days and less than 1 year	3,509,524	(1,357,292)	2,152,232	38.67
- overdue more than 1 year	2,201,485	(1,495,584)	705,901	67.94
Total impaired or overdue loans	10,249,248	(3,485,409)	6,763,839	34.01
Total loans to large corporates	**301,970,707**	**(6,585,379)**	**295,385,328**	**2.18**
Loans to small and medium size companies				
Loans without individual signs of impairment	123,256,791	(1,261,420)	121,995,371	1.02
Impaired or overdue loans:				
- not overdue	4,487,837	(868,627)	3,619,210	19.36
- overdue less than 90 days	784,942	(160,000)	624,942	20.38
- overdue more than 90 days and less than 1 year	1,786,688	(1,251,113)	535,575	70.02
- overdue more than 1 year	3,819,090	(2,954,182)	864,908	77.35
Total impaired or overdue loans	10,878,557	(5,233,922)	5,644,635	48.11
Total loans to small and medium size companies	**134,135,348**	**(6,495,342)**	**127,640,006**	**4.84**
Total loans to corporate customers	**436,106,055**	**(13,080,721)**	**423,025,334**	**3.00**

20 Loans to customers, continued

(b) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not overdue	28,449,888	(279,082)	28,170,806	0.98
- overdue less than 30 days	1,025,993	(154,605)	871,388	15.07
- overdue 30-89 days	938,092	(277,276)	660,816	29.56
- overdue 90-179 days	481,241	(282,468)	198,773	58.70
- overdue more than 180 days	2,778,426	(1,977,100)	801,326	71.16
Total mortgage loans	**33,673,640**	**(2,970,531)**	**30,703,109**	**8.82**
Car loans				
- not overdue	3,880,379	(3,690)	3,876,689	0.10
- overdue less than 30 days	38,431	(2,344)	36,087	6.10
- overdue 30-89 days	22,084	(5,440)	16,644	24.63
- overdue 90-179 days	21,420	(7,965)	13,455	37.18
- overdue more than 180 days	152,903	(67,670)	85,233	44.26
Total car loans	**4,115,217**	**(87,109)**	**4,028,108**	**2.12**
Consumer loans				
- not overdue	19,396,853	(70,121)	19,326,732	0.36
- overdue less than 30 days	1,091,505	(41,049)	1,050,456	3.76
- overdue 30-89 days	553,526	(109,068)	444,458	19.70
- overdue 90-179 days	280,409	(123,170)	157,239	43.93
- overdue more than 180 days	1,911,742	(1,184,404)	727,338	61.95
Total consumer loans	**23,234,035**	**(1,527,812)**	**21,706,223**	**6.58**
Express loans				
- not overdue	864,887	(5,038)	859,849	0.58
- overdue less than 30 days	9,494	(1,871)	7,623	19.71
- overdue 30-89 days	8,068	(3,300)	4,768	40.90
- overdue 90-179 days	9,067	(7,338)	1,729	80.93
- overdue more than 180 days	315,305	(299,970)	15,335	95.14
Total express loans	**1,206,821**	**(317,517)**	**889,304**	**26.31**
Credit cards				
- not overdue	42,743	(140)	42,603	0.33
- overdue less than 30 days	8,239	(69)	8,170	0.84
- overdue 30-89 days	293	(11)	282	3.75
- overdue 90-179 days	366	(14)	352	3.83
- overdue more than 180 days	37,412	(2,855)	34,557	7.63
Total credit cards	**89,053**	**(3,089)**	**85,964**	**3.47**
Total loans to retail customers	**62,318,766**	**(4,906,058)**	**57,412,708**	**7.87**
Total loans to customers	**498,424,821**	**(17,986,779)**	**480,438,042**	**3.61**

20 Loans to customers, continued

(c) Key assumptions and judgments for estimating loan impairment

(i) Loans to corporate customers

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment has been identified.

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

- quarterly loss rates are based on historic loss experience of 0.77-0.80% and an emergence period of 3 months
- migration rates for loans to small and medium size companies are constant and can be estimated based on historic loss migration pattern for the past 12 months
- a discount of between 10% and 50% to the originally appraised value if the property pledged is sold
- a delay of 6 to 48 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2013 would be KZT 5,574,175 thousand lower/higher (2012: KZT 4,230,253 thousand lower/higher).

(ii) Loans to retail customers

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

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months
- a discount of between 10% and 30% to the annually appraised value if the property pledged is sold
- a delay of 12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2013 would be KZT 3,502,225 thousand lower/higher (31 December 2012: KZT 1,722,381 thousand).

(d) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

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

20 Loans to customers, continued

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

(i) Loans to corporate customers, continued

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

31 December 2013 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral as of date of loan issue	Fair value of collateral not determined
Loans without individual signs of impairment				
Cash and deposits	13,250,135	13,250,135	-	-
Traded securities	20,228,918	20,228,918	-	-
Real estate	230,578,457	212,609,716	17,968,741	-
Grain	23,808,899	23,808,899	-	-
Goods in turnover	60,261,337	60,212,632	48,705	-
Motor vehicles	3,632,158	2,933,317	698,841	-
Equipment	10,437,367	10,250,636	186,731	-
Other	313,334	313,334	-	-
Corporate guarantees (unrated) and guarantees of individuals	78,727,103	-	-	78,727,103
No collateral or other credit enhancement	78,142,295	-	-	78,142,295
Other collateral registered subsequently after reporting date	8,454,304	-	-	8,454,304
Total loans without individual signs of impairment	**527,834,307**	**343,607,587**	**18,903,018**	**165,323,702**
Overdue or impaired loans				
Cash and deposits	43,930	43,930	-	-
Real estate	22,083,713	18,506,036	3,577,677	-
Goods in turnover	1,902,441	1,759,314	143,127	-
Motor vehicles	351,218	14,227	336,991	-
Equipment	46,457	-	46,457	-
Other	63	63	-	-
Guarantees	2,700,697	-	-	2,700,697
No collateral or other credit enhancement	2,454,688	-	-	2,454,688
Total overdue or impaired loans	**29,583,207**	**20,323,570**	**4,104,252**	**5,155,385**
Total loans to corporate customers	**557,417,514**	**363,931,157**	**23,007,270**	**170,479,087**

20 Loans to customers, continued

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

(i) Loans to corporate customers, continued

31 December 2012 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral as of date of loan issue	Fair value of collateral not determined
Loans without individual signs of impairment				
Cash and deposits	7,010,987	7,010,987	-	-
Traded securities	14,554,169	14,554,169	-	-
Real estate	128,624,504	126,236,320	2,388,184	-
Grain	57,164,606	57,163,134	1,472	-
Goods in turnover	50,150,859	50,128,103	22,756	-
Motor vehicles	6,675,706	6,483,861	191,845	-
Equipment	9,715,250	9,710,322	4,928	-
Other	409,351	409,094	257	-
Corporate guarantees (unrated) and guarantees of individuals	62,937,248	-	-	62,937,248
No collateral or other credit enhancement	73,374,180	-	-	73,374,180
Total loans without individual signs of impairment	**410,616,860**	**271,695,990**	**2,609,442**	**136,311,428**
Overdue or impaired loans				
Cash and deposits	24,672	24,672	-	-
Real estate	3,075,463	2,556,088	519,375	-
Goods in turnover	1,882,947	1,861,507	21,440	-
Motor vehicles	205,328	97,362	107,966	-
Equipment	60,749	43,812	16,937	-
Other	261	4	257	-
Guarantees	1,457,114	-	-	1,457,114
No collateral or other credit enhancement	5,701,940	-	-	5,701,940
Total overdue or impaired loans	**12,408,474**	**4,583,445**	**665,975**	**7,159,054**
Total loans to corporate customers	**423,025,334**	**276,279,435**	**3,275,417**	**143,470,482**

The tables above exclude the effect of overcollateralisation.

The amount disclosed in the table above within "No collateral or other credit enhancement" line includes uncollateralised loans and portions of loans without full collateral coverage. As at 31 December 2013, the net carrying value of uncollateralised corporate loans is KZT 13,426,543 thousand or 2.41% of the corporate loan portfolio (2012: KZT 6,587,516 thousand or 1.56% of corporate loan portfolio). Part of these corporate loans for the amount of KZT 3,489,340 thousand were repaid in 2014.

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

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, and corporate guarantees received from unrated local companies are not considered for impairment assessment purposes.

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

20 Loans to customers, continued

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

(ii) Loans to retail customers

Mortgage loans are secured by underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 85%. Car loans are secured by cars. The Group's policy is to issue car loans with a loan-to-value ratio of a maximum of 90%. Consumer loans are generally secured by properties and in certain cases by assets including vehicles, cash deposits and guarantees.

Management estimates that the impairment allowance would have been higher by KZT 3,452,011 thousand (2012: KZT 2,775,491 thousand) for mortgage loans, by KZT 2,511,207 thousand (2012: KZT 1,935,738 thousand) for consumer loans and by KZT 1,237,592 thousand (2012: KZT 109,714 thousand) for car loans if collateral was not taken into account.

(e) Industry and geographical analysis of the loan portfolio

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

	2013 KZT'000	2012 KZT'000
Trade	173,470,788	191,139,051
Services	93,805,296	66,300,793
Production	90,910,243	43,404,624
Construction	83,070,524	64,962,483
Agriculture	64,238,190	21,767,206
Finance and insurance	39,075,069	31,475,752
Transportation	27,227,574	13,040,384
Education	2,672,982	2,867,052
Public authority companies	40,437	56,218
Other	7,380,622	1,092,492
Total loans to corporate customers	**581,891,725**	**436,106,055**
Loans issued to retail customers		
Mortgage loans	47,750,621	33,673,640
Car loans	42,303,694	4,115,217
Consumer loans	27,704,088	23,234,035
Express loans	2,638,825	1,206,821
Credit cards	109,133	89,053
Total retail loans	**120,506,361**	**62,318,766**
Gross loans to customers	**702,398,086**	**498,424,821**
Impairment allowance	(28,239,735)	(17,986,779)
	674,158,351	**480,438,042**

(f) Significant credit exposures

As at 31 December 2013 the Group has 20 borrowers or groups of connected borrowers (2012: 22), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2013 is KZT 193,314,572 thousand (2012: KZT 178,575,424 thousand).

(g) Loan maturities

The maturity of the loan portfolio is presented in Note 35 which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than that based on contractual terms.

21 Held-to-maturity investments

	2013 KZT'000	2012 KZT'000
Held by the Group		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	21,243,652	17,178,748
Total government bonds	**21,243,652**	**17,178,748**
Corporate bonds		
- rated from BBB- to BBB+	922,215	304,828
- rated from BB- to BB+;	137,339	149,153
- not rated	1,883,357	1,939,702
Total corporate bonds	**2,942,911**	**2,393,683**
Impairment allowance	(1,883,357)	(1,499,036)
Total net corporate bonds	**1,059,554**	**894,647**
	22,303,206	**18,073,395**
Pledged under sale and repurchase agreements		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5,913,997	-
Total government bonds	**5,913,997**	-

Analysis of movements in the impairment allowance

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	1,499,036	1,499,036
Net charge	384,321	-
Balance at the end of year	**1,883,357**	**1,499,036**

Corporate bonds are interest-bearing securities, issued by local companies and banks. These securities are freely tradable on the Kazakhstan Stock Exchange ("KASE"), except for the bonds of Astana-Nedvizhimost JSC ("Astana-Nedvizhimost"). Astana-Nedvizhimost bonds were excluded from trading at KASE in July 2011. As at 31 December 2013 the Group provided 100% impairment allowance on these bonds in the amount of KZT 1,883,357 thousand (2012: 83% and KZT 1,499,036 thousand, respectively).

22 Amounts receivable under reverse repurchase agreements

	2013 KZT'000	2012 KZT'000
Collateralised by Treasury bills of Ministry of Finance of the Republic of Kazakhstan	2,905,004	277,005
	2,905,004	**277,005**

Collateral accepted as security for assets

At 31 December 2013 the fair value of financial assets collateralising reverse repurchase agreements that the Group is permitted to sell or repledge in the absence of default is KZT 3,117,919 thousand (2012: KZT 397,331 thousand).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

23 Property, equipment and intangible assets

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Construction in progress	Other	Intangible assets	Total
Cost/revalued amount							
Balance at 1 January 2013	6,241,898	2,241,204	111,430	426,701	3,072,119	1,734,143	13,827,495
Additions	7,422,037	1,284,401	316,011	599,338	1,038,432	339,468	10,999,687
Disposals	(26,519)	(55,700)	-	(12,468)	(81,695)	-	(176,382)
Transfers	89,456	31,334	-	(254,040)	133,204	46	-
Balance at 31 December 2013	**13,726,872**	**3,501,239**	**427,441**	**759,531**	**4,162,060**	**2,073,657**	**24,650,800**
Depreciation and amortisation							
Balance at 1 January 2013	105,615	836,098	77,762	-	1,241,963	742,908	3,004,346
Depreciation and amortisation for the year	82,387	451,707	28,376	-	473,847	334,043	1,370,360
Disposals	(6,650)	(51,132)	-	-	(70,727)	-	(128,509)
Transfers	-	139	-	-	(1)	(138)	-
Balance at 31 December 2013	**181,352**	**1,236,812**	**106,138**	**-**	**1,645,082**	**1,076,813**	**4,246,197**
Carrying amount							
At 31 December 2013	**13,545,520**	**2,264,427**	**321,303**	**759,531**	**2,516,978**	**996,844**	**20,404,603**

23 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Construction in progress	Other	Intangible assets	Total
Cost/revalued amount							
Balance at 1 January 2012	3,176,396	1,271,283	101,379	3,470,838	2,272,320	1,085,193	11,377,409
Additions	2,330	962,702	15,752	677,363	787,722	632,785	3,078,654
Disposals	(10,475)	(134,335)	(5,701)	(214,313)	(263,653)	(91)	(628,568)
Transfers	3,073,647	141,554	-	(3,507,187)	275,730	16,256	-
Balance at 31 December 2012	**6,241,898**	**2,241,204**	**111,430**	**426,701**	**3,072,119**	**1,734,143**	**13,827,495**
Depreciation and amortisation							
Balance at 1 January 2012	64,276	695,663	70,473	-	1,141,449	527,991	2,499,852
Depreciation and amortisation for the year	41,400	275,062	11,714	-	340,214	215,006	883,396
Disposals	(61)	(132,069)	(4,425)	-	(242,258)	(89)	(378,902)
Transfers	-	(2,558)	-	-	2,558	-	-
Balance at 31 December 2012	**105,615**	**836,098**	**77,762**	**-**	**1,241,963**	**742,908**	**3,004,346**
Carrying amount							
At 31 December 2012	**6,136,283**	**1,405,106**	**33,668**	**426,701**	**1,830,156**	**991,235**	**10,823,149**

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2013 and 2012.

23 Property, equipment and intangible assets, continued

Revalued assets

At 31 December 2010 land and buildings were revalued based on the results of an independent appraisal performed by Apprais Consult LLC. The land and buildings acquired during 2012 and 2013 were recognised at fair value at initial recognition assuming the transaction price was a market price at that dates, and those properties were not subsequently revalued as at the reporting dates due to not significant change in fair value since the dates of acquisition.

The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar land and buildings and reflects market prices in recent transactions. The fair values of land and buildings are categorised into Level 2 of the fair value hierarchy.

The carrying value of land and buildings as at 31 December 2013, if the land and buildings would not have been revalued, would be KZT 13,545,520 thousand (2012: KZT 5,912,422 thousand).

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

24 Investment property

As at 31 December 2012, investment property comprised a plot of commercial land located in Almaty, purchased during 2007. The management believed that the carrying value approximates the fair value of the property and the fair values of investment properties were categorised into Level 3 of the fair value hierarchy at 31 December 2012.

On 7 November 2013 the Group sold the plot of commercial land located in Almaty for KZT 1,267,483 thousand to a third party not related to the Group.

25 Other assets

	2013 KZT'000	2012 KZT'000
Other receivables	10,842,219	10,152,620
Insurance and reinsurance receivables	2,059,738	1,766,589
Amount due from local commercial bank	210,035	210,035
Commissions receivable	24,517	522,918
Impairment allowance	(1,540,843)	(1,046,806)
Total other financial assets	**11,595,666**	**11,605,356**
Advance consideration*	7,585,784	6,744,543
Prepayments for office buildings	2,832,609	646,524
Reinsurers' share in insurance contract provisions (Note 31)	2,436,672	1,816,914
Prepayments	1,368,753	854,790
Materials and supplies	609,516	621,318
Deferred insurance acquisition costs	-	384,325
Other	85,175	299,523
Impairment allowance	(22,537)	(6,305)
Total other non-financial assets	**14,895,972**	**11,361,632**
Total other assets	**26,491,638**	**22,966,988**

* On 10 April 2013 the Group entered into an agreement with the shareholders of Plus Bank OJSC to increase the Group's shareholding of 19% up to 91.09%, subject to Kazakhstan and Russian Federation regulatory approval. Prior to 31 December 2012, the Group acquired certain assets for KZT 6,744,543 thousand which will be used as consideration for the completion of the transaction.

25 Other assets, continued

Analysis of movements in the impairment allowance

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

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	1,046,806	6,305	1,053,111
Net charge	468,987	16,232	485,219
Write-offs	(31,914)	(4,556)	(36,470)
Recovery of previously written-off balances	56,417	4,556	60,973
Foreign exchange effect	547	-	547
Balance at the end of the year	**1,540,843**	**22,537**	**1,563,380**

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

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	602,297	96	602,393
Net charge	464,320	6,209	470,529
Write-offs	(19,854)	-	(19,854)
Recovery	5	-	5
Foreign exchange effect	38	-	38
Balance at the end of the year	**1,046,806**	**6,305**	**1,053,111**

As at 31 December 2013, included in other assets are overdue other receivables of gross KZT 912,102 thousand (2012: KZT 1,627,336 thousand), of which KZT 568,332 thousand are overdue for more than 90 days (2012: KZT 1,209,540 thousand).

26 Deposits and balances from banks and other financial institutions

	2013 KZT'000	2012 KZT'000
Loans and deposits from banks and other financial institutions	23,262,061	7,747,685
Vostro accounts	43,851	39,441
	23,305,912	**7,787,126**
Derivative financial instruments		
Foreign currency contracts	1,500	(235)
	23,307,412	**7,786,891**

As at 31 December 2013 the Group has one financial institution (2012: one financial institution), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2013 is KZT 10,352,730 thousand (2012: KZT 6,386,262 thousand).

26 Deposits and balances from banks and other financial institutions, continued

Foreign currency contracts

The table below summarises by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December 2013 and 2012 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in deposits and balances from banks and other financial institutions. As at 31 December 2013 and 2012 all contracts were concluded through Kazakhstan Stock Exchange.

	Notional amount		Weighted average contractual exchange rates	
	2013 KZT'000	2012 KZT'000	2013	2012
Buy USD sell KZT				
Less than 3 months	-	1,055,180	-	150.77
Sell USD buy KZT				
Less than 3 months	45,446,200	-	154.06	-
	45,446,200	**1,055,180**		

27 Current accounts and deposits from customers

	2013 KZT'000	2012 KZT'000
Current accounts and demand deposits		
- Corporate	106,931,769	126,945,011
- Retail	9,498,203	7,497,961
- Accrued interest	13,479	28
Term deposits		
- Corporate	372,184,570	233,500,497
- Retail	201,814,128	148,477,684
- Accrued interest	4,237,939	2,008,737
	694,680,088	**518,429,918**

As at 31 December 2013, the Group maintained customer deposit balances of KZT 17,081,727 thousand (2012: KZT 15,947,688 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2013, the Group has 16 customers (2012: 19 customers), whose balances exceed 10% of equity. These balances as at 31 December 2013 are KZT 284,712,691 thousand (2012: KZT 220,841,062 thousand).

28 Debt securities issued

	2013 KZT'000	2012 KZT'000
Nominal	22,123,483	9,925,920
Discount	(1,237,920)	(1,199,271)
Accrued interest	360,218	243,614
	21,245,781	**8,970,263**

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

					Carrying amount	
	Issue date	**Maturity**	**Coupon rate**	**Effective rate**	**2013 KZT'000**	**2012 KZT'000**
KZT denominated bonds of the ninth issue *	12.07.2011	12.07.2014	6.0%	6.9%	6,103,395	4,011,552
KZT denominated bonds of the eighteenth issue *	4.06.2013	4.06.2016	8.0%	8.2%	5,478,940	-
KZT denominated bonds of the nineteenth issue *	04.06.2013	04.06.2018	8.0%	8.7%	4,682,530	-
KZT denominated bonds of the seventh issue *	11.07.2007	11.07.2027	7.5%	10.9%	2,633,357	2,633,377
KZT denominated bonds of the sixth issue *	14.12.2006	14.12.2015	Inflation index + 1%	8.8%	2,347,559	2,325,334
					21,245,781	**8,970,263**

* Quoted on KASE

29 Subordinated debt

	2013 KZT'000	2012 KZT'000
Subordinated bonds	41,754,090	26,456,959
Cumulative non-redeemable preferred shares	2,739,511	2,714,441
Subordinated loans	-	936,334
	44,493,601	**30,107,734**

As at 31 December 2013 and 2012 subordinated debt comprises quoted bonds and loans from foreign financial institutions and cumulative non-redeemable preferred shares. In case of bankruptcy, the repayment of the subordinated debt would be made after repayment in full of all other liabilities of the Group but before repayment of the preferred shares.

(a) Cumulative non-redeemable preference shares

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

During the year ended 31 December 2013, the Group accrued dividends on preference shares amounting to KZT 250,000 thousand (2012: KZT 250,000 thousand).

(b) Subordinated bonds

The summary of subordinated bonds at 31 December 2013 and 2012 is presented below:

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount 2013 KZT'000	Carrying amount 2012 KZT'000
KZT denominated bonds of the thirteenth issue *	02.08.2012	02.08.2019	8.0%	9.7%	5,792,184	5,735,017
KZT denominated bonds of the eighth issue *	13.04.2011	13.04.2018	8.0%	8.1%	5,538,730	5,544,487
KZT denominated bonds of the eleventh issue *	01.02.2012	01.02.2019	8.0%	9.2%	4,941,904	4,915,773
KZT denominated bonds of the fourteenth issue *	04.06.2013	04.06.2020	8.0%	9.7%	4,659,348	-
KZT denominated bonds of the sixteenth issue *	04.06.2013	04.06.2028	9.0%	9.7%	4,657,860	-
KZT denominated bonds of the fifteenth issue *	04.06.2013	04.06.2023	8.0%	9.7%	4,482,991	-
KZT denominated bonds of the twelfth issue *	02.08.2012	02.08.2019	8.0%	9.7%	3,840,816	3,807,293
KZT denominated bonds of the tenth issue *	30.06.2011	30.06.2018	8.0%	10.7%	3,940,214	3,671,589
KZT denominated bonds of the fifth issue *	28.06.2006	28.06.2014	Inflation index + 1%	8.81%	3,041,894	2,782,800
KZT denominated bonds*	19.03.2013	19.03.2020	8.0%	9.7%	858,149	-
					41,754,090	**26,456,959**

* Quoted on KASE

29 Subordinated debt, continued

(c) Subordinated loans

Creditor	2013 KZT'000	2012 KZT'000	Interest rate	Origination date	Maturity date
Halden Invest and Finance S.A.	-	936,334	1 month Euro LIBOR plus 4.75%	30.06.2006	30.06.2013

30 Amounts payable under repurchase agreements

	2013 KZT'000	2012 KZT'000
Amounts payable under repurchase agreements	15,945,917	-

Collateral provided as security for liabilities

As at 31 December 2013 amounts payable under repurchase agreements were collateralised by financial instruments at fair value through profit or loss with a fair value of KZT 10,900,232 thousand (Note 18) and held-to-maturity investments with amortised cost of KZT 5,913,997 thousand (Note 21).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

31 Other liabilities

	2013 KZT'000	2012 KZT'000
Sundry creditors	540,378	556,495
Insurance and reinsurance payables	410,215	448,580
Dividends payable	1,421	1,421
Total other financial liabilities	**952,014**	**1,006,496**
Insurance contract provisions	6,611,399	4,017,924
Deferred income for guarantees and letters of credit issued	2,601,138	1,460,924
Other prepayments	919,131	415,897
Accrued vacation	552,050	303,216
Other taxes payable	376,754	216,993
Other non-financial liabilities	4,288	27,726
Total other non-financial liabilities	**11,064,760**	**6,442,680**
Total other liabilities	**12,016,774**	**7,449,176**

(a) Insurance contract provisions

	Gross 2013 '000 KZT	Reinsurance 2013 '000 KZT	Net 2013 '000 KZT
Unearned premium provision	5,199,811	(1,840,760)	3,359,051
Provision for claims incurred but not reported	1,244,898	(595,912)	648,986
Provision for claims reported but not settled	166,690	-	166,690
	6,611,399	**(2,436,672)**	**4,174,727**

31 Other liabilities, continued

(a) Insurance contract provisions, continued

	Gross 2012 '000 KZT	Reinsurance 2012 '000 KZT	Net 2012 '000 KZT
Unearned premium provision	3,281,243	(1,336,037)	1,945,206
Provision for claims incurred but not reported	691,921	(467,448)	224,473
Provision for claims reported but not settled	44,760	(13,429)	31,331
	4,017,924	**(1,816,914)**	**2,201,010**

Assumptions and sensitivity analysis

Process used to determine the assumptions

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen. However, given the uncertainty in establishing outstanding claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related external claims handling expenses, less amounts already paid. The provision for claims is not discounted for the time value of money.

The sources of data used as inputs for the assumptions are typically internal to the Group, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assumptions and sensitivities.

The estimation of incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimates of outstanding claims already notified, where more information is available. IBNR claims may often not be apparent to the Group until sometime after the occurrence of the event giving rise to the claim. Due to the generally short tail nature of the Group's portfolio a substantial amount of claims are settled within one year after the occurrence of the event giving rise to the claim.

Claims provisions for three classes of insurance (obligatory vehicle owner`s liability, voluntary transport insurance and voluntary medical insurance) are estimated using a range of statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based upon observed development of earlier years and expected loss ratios.

The key statistical method is the chain ladder method, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost.

The actual method or blend of methods used varies by the class of insurance contract based on observed historical claims development.

Large claims are generally assessed separately and are measured on a case by case basis or projected separately in order to allow for the possible distorting effects on development and incidence of these large claims.

Claims provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The method uses historical data, gross IBNR estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the IBNR reinsurance asset.

31 Other liabilities, continued

(a) Insurance contract provisions, continued

Assumptions and sensitivity analysis, continued

Process used to determine the assumptions, continued

The Actuary of the Group is responsible for calculation of insurance reserves.

For other classes of insurance, not mentioned above, IBNR is calculated as 5% of gross premium due to lack of statistics.

Assumptions

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim (e.g. frequency of claims, risks connected with the insurance contract – death as a result of an accident, ongoing effects, recovery time, time between date of occurrence of the insured event and the settlement date).

Sensitivity analysis

Management believes that, due to the short-tailed nature of the Group's business, the performance of the Group's portfolio is sensitive mainly to changes in expected loss ratios. The Group adjusts its insurance tariffs on a regular basis based on the latest developments in these variables so that any emerging trends are taken into account.

32 Share capital

(a) Issued capital

As at 31 December 2013, the authorised share capital comprises 77,500,000 ordinary shares and 2,500,000 non-redeemable cumulative preference shares (2012: 77,500,000 ordinary shares and 2,500,000 non-redeemable cumulative preference shares). Issued and outstanding share capital comprises 33,684,026 ordinary shares and 2,490,465 non-redeemable cumulative preference shares (2012: 30,226,122 ordinary shares and 2,467,674 non-redeemable cumulative preference shares). The shares do not have a par value. During the year ended 31 December 2013 3,500,000 ordinary shares were issued at KZT 1,800 per share (2012: 2,800,000 ordinary shares were issued at KZT 1,800 per share).

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

(b) Dividends

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

At a general shareholders' meeting held in April 2013, the Bank made a decision not to pay any dividends (2012: nil).

(c) Treasury shares

As at 31 December 2013 the Group held 115,974 of its own ordinary shares (2012: 73,878 ordinary shares).

32 Share capital, continued

(d) Book value per share

Under the listing rules of the Kazakh Stock Exchange the Group should present book value per share in its consolidated financial statements. The book value per ordinary share is calculated by dividing net assets less intangible assets by number of outstanding ordinary shares. As at 31 December 2013 the book value per ordinary share was KZT 2,011 (2012: KZT 1,569).

The book value per preference share is calculated by dividing equity and debt component of preference shares by number of outstanding preference shares. As at 31 December 2013 the book value per preferred share was KZT 1,100 (2012: KZT 1,100).

(e) Reserves for general banking and insurance risks

Until 2013 year, in accordance with amendments to the Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the FMSC on 31 January 2011 (which ceased to be in force during 2013), the Group had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year was calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in Classified Assets and Contingent Liabilities (as defined in Resolution #296 On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities issued by the FMSC on 25 December 2006 (which ceased to be in force during 2013)) during the preceding year. Such percentage increase should be not less than 10% and not more than 100%.

In accordance with the Regulation of FMSC #61 dated 30 April 2010 On creating, calculating, maintaining and reporting on insurance reserves effective 1 January 2011 Tsesna Garant should establish a stabilisation reserve for insurance products that demonstrate loss rates exceeding its average loss rate for three preceding years.

A transfer from retained earnings to the reserve for general banking and insurance risks in the amount of KZT 5,142,171 thousand was made for the year ended 31 December 2013 (2012: KZT 4,146,175 thousand).

(f) Dynamic reserve

In accordance with Resolution of the National Bank of the Republic of Kazakhstan #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss, the Group has established a dynamic reserve calculated using a formula determined in the Rules. In accordance with the Rules, dynamic reserve cannot be less than zero and shall be calculated as the difference between expected losses and actual charge on deductible impairment losses recognised during the reporting quarter in accordance with IFRS net of income from recovery of provisions. Expected losses are estimated based on the increase of loans to customers during the reporting quarter multiplied by certain coefficients. The Resolution has been effective from 1 January 2013. As at 31 December 2013 the non-distributable dynamic reserve is KZT 16,631,209 thousand.

33 Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2013 is based on the profit attributable to ordinary shareholders of KZT 14,292,052 thousand (2012: KZT 10,872,334 thousand), and a weighted average number of ordinary shares outstanding of 32,148,242 (2012: 28,802,751) calculated as follows:

	2013 KZT'000	2012 KZT'000
Net profit, in thousand of KZT	14,292,052	10,872,334
Issued ordinary shares at the beginning of the year	30,226,122	27,480,830
Effect of shares issued during the year	1,922,120	1,321,921
Weighted average number of ordinary shares	**32,148,242**	**28,802,751**
Basic earnings per share, in KZT	445	377

The Group does not have any potentially dilutive securities.

34 Analysis by segment

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- banking – includes loans, deposits and other transactions with customers, trading and corporate finance activities, the Bank's funding and banking risk management activities through borrowings, issue of debt securities
- insurance –conducting insurance and reinsurance activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are based on statutory financial information and that are reviewed by the Chairman of the Management Board of the Group. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Segment breakdown of assets and liabilities is set out below:

	2013 KZT'000	2012 KZT'000
ASSETS		
Banking	877,634,866	617,310,552
Insurance	12,201,528	7,538,951
Unallocated assets	1,296,099	1,119,434
Total assets	**891,132,493**	**625,968,937**
LIABILITIES		
Banking	807,315,573	569,074,589
Insurance	7,702,106	4,435,454
Unallocated liabilities	13,930	27,990
Total liabilities	**815,031,609**	**573,538,033**

34 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2013 is set out below:

KZT'000	Banking	Insurance	Unallocated	Total
External interest income	79,209,538	226,029	44,527	79,480,094
Fee and commission income	9,052,019	-	142,801	9,194,820
Gross earned insurance premiums	-	14,003,581	-	14,003,581
Net loss on other financial instruments at fair value through profit or loss	(41,482)	-	(5,774)	(47,256)
Net foreign exchange gain (loss)	3,447,659	(6,842)	574	3,441,391
Dividend income	-	-	5,796	5,796
Other operating income	82,189	1,178	1,540	84,907
Revenue	**91,749,923**	**14,223,946**	**189,464**	**106,163,333**
Interest expense	(40,963,614)	-	-	(40,963,614)
Fee and commission expense	(773,947)	(1,576,243)	(28,704)	(2,378,894)
Ceded earned premiums	-	(8,959,293)	-	(8,959,293)
Net insurance claims incurred	-	(2,177,697)	-	(2,177,697)
Impairment losses	(9,099,437)	(470,070)	-	(9,569,507)
Personnel expenses	(9,785,221)	(1,363,778)	(73,828)	(11,222,827)
Other general administrative expenses	(11,737,409)	(1,177,307)	(39,824)	(12,954,540)
Segment result	**19,390,295**	**(1,500,442)**	**47,108**	**17,936,961**
Income tax expense				(3,719,294)
Net profit after taxes				**14,217,667**
Other segment items				
Additions of property and equipment	10,930,532	62,594	6,561	10,999,687
Depreciation and amortisation	1,324,287	43,011	3,062	1,370,360

34 Analysis by segment, continued

Segment information for the main reportable business segments for the year ended 31 December 2012 is set below:

KZT'000	Banking	Insurance	Unallocated	Total
External interest income	56,089,098	116,622	84,049	56,289,769
Fee and commission income	8,169,155	-	92,406	8,261,561
Gross earned insurance premiums	-	7,754,036	-	7,754,036
Net gain (loss) on other financial instruments at fair value through profit or loss	269,481	-	(16,447)	253,034
Net foreign exchange gain (loss)	1,945,011	(814)	26,474	1,970,671
Net gain on available-for-sale financial assets	74,533	-	-	74,533
Dividend income	249,021	-	16,072	265,093
Other operating income	39,762	2,244	4	42,010
Revenue	**66,836,061**	**7,872,088**	**202,558**	**74,910,707**
Interest expense	(27,726,021)	-	(16)	(27,726,037)
Fee and commission expense	(629,676)	(741,805)	(29,623)	(1,401,104)
Ceded earned premiums	-	(4,543,514)	-	(4,543,514)
Net insurance claims incurred	-	(723,918)	-	(723,918)
Impairment losses	(7,946,108)	(219,013)	-	(8,165,121)
Personnel expenses	(7,802,625)	(662,463)	(56,085)	(8,521,173)
Other general administrative expenses	(8,823,149)	(753,032)	(35,286)	(9,611,467)
Segment result	**13,908,482**	**228,343**	**81,548**	**14,218,373**
Income tax expense				(3,008,286)
Net profit after taxes				**11,210,087**
Other segment items				
Additions of property and equipment	2,983,142	89,730	5,782	3,078,654
Depreciation and amortisation	852,042	29,316	2,038	883,396

Interest expense is allocated on the basis of unconsolidated financial statements of each reporting segment adjusted for intra-Group operations.

34 Analysis by segment, continued

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2013 KZT'000	2012 KZT'000
Revenues		
Total revenues for reportable segments	106,163,333	74,910,707
Elimination of revenues	(242,497)	(754,804)
Consolidated revenues	**105,920,836**	**74,155,903**
Profit or loss		
Total profit for reportable segments	14,217,667	11,210,087
Elimination of profit or loss	74,385	(332,349)
Consolidated profit for the year	**14,292,052**	**10,877,738**
Assets		
Total assets for reportable segments	891,132,493	625,968,937
Elimination of assets	(8,119,740)	(4,536,517)
Consolidated assets	**883,012,753**	**621,432,420**
Liabilities		
Total liabilities for reportable segments	815,031,609	573,538,033
Elimination of liabilities	(743,395)	(540,952)
Consolidated liabilities	**814,288,214**	**572,997,081**

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

Information about major customers

For the year ended 31 December 2013, there were no corporate customers (2012: nil) revenues from which individually exceed 10% of total revenue.

35 Risk management

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

(a) Risk management policies and procedures

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

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

35 Risk management, continued

(a) Risk management policies and procedures, continued

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

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

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

(b) Market risk

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

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

Overall authority for market risk is vested in the ALCO, which is chaired by the Chairman of the Management Board. Market risk limits are approved by ALCO based on recommendations of the Financial and Operational Risks Department.

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

The Group also utilises Value-at-Risk (VAR) methodology to monitor market risk of its trading positions.

(i) Interest rate risk

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

35 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

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

KZT'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2013							
ASSETS							
Cash and cash equivalents	36,697,369	1,400,000	-	-	-	58,724,962	96,822,331
Deposits and balances with banks and other financial institutions	18,333	-	617,606	4,918,002	-	-	5,553,941
Financial instruments at fair value through profit or loss	2,882,339	-	13,587,206	4,041,117	-	245,568	20,756,230
Available-for-sale financial assets	-	-	70,256	1,709,459	-	3,353,495	5,133,210
Loans to customers	79,350,113	55,748,220	227,653,257	237,397,455	55,727,130	18,282,176	674,158,351
Held-to-maturity investments	-	137,339	2,966,771	25,113,093	-	-	28,217,203
Amounts receivable under reverse repurchase agreements	2,905,004	-	-	-	-	-	2,905,004
	121,853,158	**57,285,559**	**244,895,096**	**273,179,126**	**55,727,130**	**80,606,201**	**833,546,270**
LIABILITIES							
Deposits and balances from banks and other financial institutions	962,785	9,138,858	1,978,019	6,051,750	5,176,000	-	23,307,412
Current accounts and deposits from customers	53,673,602	35,143,756	277,939,588	240,907,596	9,419,085	77,596,461	694,680,088
Debt securities issued	292,124	-	8,537,252	9,906,369	2,510,036	-	21,245,781
Subordinated debt	-	517,776	3,648,649	9,244,021	28,583,155	2,500,000	44,493,601
Amounts payable under repurchase agreements	15,945,917	-	-	-	-	-	15,945,917
	70,874,428	**44,800,390**	**292,103,508**	**266,109,736**	**45,688,276**	**80,096,461**	**799,672,799**
	50,978,730	**12,485,169**	**(47,208,412)**	**7,069,390**	**10,038,854**	**509,740**	**33,873,471**

35 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2012							
ASSETS							
Cash and cash equivalents	2,290,717	-	-	-	-	39,991,709	42,282,426
Deposits and balances with banks and other financial institutions	148,178	1,400,000	2,314,618	2,321,123	-	2,272,119	8,456,038
Financial instruments at fair value through profit or loss	1,498,492	448,633	29,060,530	-	-	85,189	31,092,844
Available-for-sale financial assets	982,462	-	821,143	-	-	3,796,735	5,600,340
Loans to customers	33,842,707	52,747,632	150,074,318	169,865,146	43,717,235	30,191,004	480,438,042
Held-to-maturity investments	804,623	-	9,267,336	7,612,761	-	388,675	18,073,395
Amounts receivable under reverse repurchase agreements	277,005	-	-	-	-	-	277,005
	39,844,184	**54,596,265**	**191,537,945**	**179,799,030**	**43,717,235**	**76,725,431**	**586,220,090**
LIABILITIES							
Deposits and balances from banks and other financial institutions	28,217	203,834	141,665	7,034,637	200,000	178,538	7,786,891
Current accounts and deposits from customers	31,148,502	63,405,527	163,843,928	190,041,107	5,116,863	64,873,991	518,429,918
Debt securities issued	-	-	-	6,443,909	2,282,730	243,624	8,970,263
Subordinated debt	-	936,334	-	2,781,258	23,023,066	3,367,076	30,107,734
	31,176,719	**64,545,695**	**163,985,593**	**206,300,911**	**30,622,659**	**68,663,229**	**565,294,806**
	8,667,465	**(9,949,430)**	**27,552,352**	**(26,501,881)**	**13,094,576**	**8,062,202**	**20,925,284**

35 Risk management, continued

(b) Market risk, continued

(i) *Interest rate risk, continued*

Average interest rates

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

	2013 Average effective interest rate, %			2012 Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	0.36	0.01	0.01	-	1.80	2.89
Deposits and balances with banks and other financial institutions	8.86	8.90	-	4.91	8.98	-
Financial instruments at fair value through profit or loss	3.38	-	-	3.62	3.98	-
Available-for-sale financial assets	6.50	-	-	6.01	-	-
Loans to customers	15.79	9.69	6.39	14.10	10.61	7.40
Held-to-maturity investments	4.86	-	-	3.99	-	-
Amounts receivable under reverse repurchase agreements	4.24	-	-	8.00	-	-
Interest bearing liabilities						
Deposits and balances from banks and other financial institutions						
- Term deposits	7.99	5.33	5.73	7.46	4.34	4.35
Current accounts and deposits from customers						
- Current accounts and demand deposits	2.04	-	-	2.21	-	-
- Term deposits	7.73	5.13	4.28	7.52	6.20	5.32
Debt securities issued	9.30	-	-	10.10	-	-
Subordinated debt	9.75	-	-	9.67	-	EuroLIBOR +4.75
Amounts payable under repurchase agreements	2.91	-	-	-	-	-

35 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis

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

	2013		2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	(332,446)	(332,446)	(82,778)	(82,778)
100 bp parallel rise	332,446	332,446	82,778	82,778

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

	2013		2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	298,706	324,228	337,613	337,613
100 bp parallel rise	(298,706)	(324,228)	(337,613)	(337,613)

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

35 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	20,790,331	74,292,483	998,067	704,627	36,823	96,822,331
Deposits and balances with banks and other financial institutions	3,838,191	1,715,750	-	-	-	5,553,941
Financial instruments at fair value through profit or loss	20,732,891	19,168	-	-	4,171	20,756,230
Available-for-sale financial assets	5,133,210	-	-	-	-	5,133,210
Loans to customers	459,316,975	209,007,422	4,010,578	1,823,376	-	674,158,351
Held-to-maturity investments	28,217,203	-	-	-	-	28,217,203
Amounts receivable under reverse repurchase agreements	2,905,004	-	-	-	-	2,905,004
Other financial assets	9,934,350	1,591,065	63,642	6,609	-	11,595,666
Total financial assets	**550,868,155**	**286,625,888**	**5,072,287**	**2,534,612**	**40,994**	**845,141,936**
LIABILITIES						
Deposits and balances from banks and other financial institutions	14,141,259	7,176,519	103,833	1,885,801	-	23,307,412
Current accounts and deposits from customers	454,542,022	234,405,703	5,356,874	372,232	3,257	694,680,088
Debt securities issued	21,245,781	-	-	-	-	21,245,781
Subordinated debt	44,493,601	-	-	-	-	44,493,601
Amounts payable under repurchase agreements	15,945,917	-	-	-	-	15,945,917
Other financial liabilities	833,891	117,677	243	-	203	952,014
Total financial liabilities	**551,202,471**	**241,699,899**	**5,460,950**	**2,258,033**	**3,460**	**800,624,813**
Net position as at 31 December 2013	**(334,316)**	**44,925,989**	**(388,663)**	**276,579**	**37,534**	**44,517,123**
The effect of derivatives held for risk management	**45,446,200**	**(45,446,200)**	**-**	**-**	**-**	**-**
Net position after derivatives held for risk management purposes as at 31 December 2013	**45,111,884**	**(520,211)**	**(388,663)**	**276,579**	**37,534**	**44,517,123**

35 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	35,890,639	3,633,451	1,848,020	849,887	60,429	42,282,426
Deposits and balances with banks and other financial institutions	5,611,669	2,844,364	-	5	-	8,456,038
Financial instruments at fair value through profit or loss	29,171,920	1,902,245	-	-	18,679	31,092,844
Available-for-sale financial assets	5,600,340	-	-	-	-	5,600,340
Loans to customers	417,153,874	58,069,457	5,214,711	-	-	480,438,042
Held-to-maturity investments	18,073,395	-	-	-	-	18,073,395
Amounts receivable under reverse repurchase agreements	277,005	-	-	-	-	277,005
Other financial assets	10,898,547	622,748	54,960	29,101	-	11,605,356
Total financial assets	**522,677,389**	**67,072,265**	**7,117,691**	**878,993**	**79,108**	**597,825,446**
LIABILITIES						
Deposits and balances from banks and other financial institutions	7,297,294	336,799	148,546	4,252	-	7,786,891
Current accounts and deposits from customers	442,334,047	69,606,065	6,073,628	415,737	441	518,429,918
Debt securities issued	8,970,263	-	-	-	-	8,970,263
Subordinated debt	29,171,400	-	936,334	-	-	30,107,734
Other financial liabilities	992,592	2,442	11,289	108	65	1,006,496
Total financial liabilities	**488,765,596**	**69,945,306**	**7,169,797**	**420,097**	**506**	**566,301,302**
Net position as at 31 December 2012	**33,911,793**	**(2,873,041)**	**(52,106)**	**458,896**	**78,602**	**31,524,144**
The effect of derivatives held for risk management	**(1,055,180)**	**1,055,180**	**-**	**-**	**-**	**-**
Net position after derivatives held for risk management purposes as at 31 December 2013	**32,856,613**	**(1,817,861)**	**(52,106)**	**458,896**	**78,602**	**31,524,144**

35 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

	2013		2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
20% appreciation of USD against KZT (2012: 10%)	(83,332)	(83,332)	(145,429)	(145,429)
10% appreciation of EUR against KZT	(31,093)	(31,093)	(4,168)	(4,168)
10% appreciation of RUB against KZT	22,126	22,126	36,712	36,712

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

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in an equity financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on equity instrument positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 10% change in all equity securities prices is as follows:

	2013		2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% increase in securities prices	4,988	340,338	8,519	388,192
10% decrease in securities prices	(4,988)	(340,338)	(8,519)	(388,192)

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral

35 Risk management, continued

(c) Credit risk, continued

- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Business Department, which is responsible for the corporate loan portfolio. Analysis reports made by the department are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Credit Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. Before approval of independent transactions on issue of loans to corporate customers by the Credit Committee, they are reviewed by the Legal and Collateral Departments on the basis of the risk specification. The Credit Committee reviews the loan credit application on the basis of documents submitted by the Loan, Risk, Legal and Collateral Departments.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

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

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

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

	2013 KZT'000	2012 KZT'000
ASSETS		
Cash equivalents and nostro accounts	81,343,464	31,975,950
Deposits and balances with banks and other financial institutions	5,553,941	8,456,038
Financial instruments at fair value through profit or loss	20,706,345	31,007,655
Available-for-sale financial assets	1,779,696	1,803,605
Loans to customers	674,158,351	480,438,042
Held-to-maturity investments	28,217,203	18,073,395
Amounts receivable under reverse repurchase agreements	2,905,004	277,005
Other financial assets	11,595,666	11,605,356
Total maximum exposure	**826,259,670**	**583,637,046**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 20.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 37.

As at 31 December 2013 the Group has no debtors or groups of connected debtors (31 December 2012: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

35 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities

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

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

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

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

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

- loans to customers collateralised by cash on bank's deposits; and
- sale and repurchase agreements, and reverse sale and repurchase agreements.

This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral. The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

35 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

KZT'000 Types of financial assets/liabilities	Gross amounts of recognised financial asset/ liability	Gross amounts of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial asset/liability presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	34,246,910	-	34,246,910	-	(12,830,457)	21,416,453
Securities pledged under repurchase agreements	16,814,229	-	16,814,229	(15,945,917)	-	868,312
Amounts receivable under reverse repurchase agreements	2,905,004	-	2,905,004	(2,905,004)	-	-
Total financial assets	**53,966,143**	**-**	**53,966,143**	**(18,850,921)**	**(12,830,457)**	**22,284,765**
Current accounts and deposits from customers	12,830,457	-	12,830,457	(12,830,457)	-	-
Current accounts and deposits from customers	542,562	(542,562)	-	-	-	-
Amounts payable under repurchase agreements	15,945,917	-	15,945,917	(15,945,917)	-	-
Total financial liabilities	**29,318,936**	**(542,562)**	**28,776,374**	**(28,776,374)**	**-**	**-**

The securities pledged under repurchased agreements (Note 18 and Note 21) represent the transferred financial assets that are not derecognised in their entirety.

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

KZT'000 Types of financial assets/liabilities	Gross amounts of recognised financial asset/ liability	Gross amounts of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial asset/liability presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	23,147,309	-	23,147,309	-	(10,854,005)	12,293,304
Amounts receivable under reverse repurchase agreements	277,005	-	277,005	(277,005)	-	-
Total financial assets	**23,424,314**	**-**	**23,424,314**	**(277,005)**	**(10,854,005)**	**12,293,304**
Current accounts and deposits from customers	10,854,005	-	10,854,005	(10,854,005)	-	-
Current accounts and deposits from customers	399,279	(399,279)	-	-	-	-
Total financial liabilities	**11,253,284**	**(399,279)**	**10,854,005**	**(10,854,005)**	**-**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position at amortised cost. The amounts in the above tables that are offset in the statement of financial position are measured on the same basis.

35 Risk management, continued

(d) Liquidity risk

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

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

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

The liquidity management policy requires:

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

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

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

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment.

35 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total gross amount outflow	Carrying amount
Liabilities								
Deposits and balances from banks and other financial institutions	968,883	6,053,077	5,432,481	7,431,607	9,109,925	-	28,995,973	23,307,412
Current accounts and deposits from customers	131,420,292	35,554,937	292,573,060	291,642,571	16,031,261	-	767,222,121	694,680,088
Debt securities issued	294,147	-	6,376,745	14,508,241	4,595,495	-	25,774,628	21,245,781
Subordinated debt	-	523,478	3,900,610	11,790,017	44,604,724	2,490,465	63,309,294	44,493,601
Amounts payable under repurchase agreements	15,952,616	-	-	-	-	-	15,952,616	15,945,917
Other financial liabilities	436,585	7,175	485,885	19,794	-	2,575	952,014	952,014
Total liabilities	**149,072,523**	**42,138,667**	**308,768,781**	**325,392,230**	**74,341,405**	**2,493,040**	**902,206,646**	**800,624,813**
Credit related commitments	182,535,544	-	-	-	-	-	182,535,544	182,535,544

Future interest payments for non-redeemable cumulative preference shares, which are payable annually, are not included in the table above.

35 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total gross amount outflow	Carrying amount
Liabilities								
Deposits and balances from banks and other financial institutions	370,509	570,457	748,690	7,403,303	347,238	-	9,440,197	7,786,891
Current accounts and deposits from customers	149,607,132	24,341,623	163,872,908	226,185,567	8,909,364	-	572,916,594	518,429,918
Debt securities issued	237,958	-	8,019	7,377,022	4,844,818	-	12,467,817	8,970,263
Subordinated debt	167,791	336,343	1,549,554	3,598,155	36,547,504	2,500,000	44,699,347	30,107,734
Other financial liabilities	488,370	38,417	479,701	8	-	-	1,006,496	1,006,496
Total liabilities	**150,871,760**	**25,286,840**	**166,658,872**	**244,564,055**	**50,648,924**	**2,500,000**	**640,530,451**	**566,301,302**
Credit related commitments	154,872,064	-	-	-	-	-	154,872,064	154,872,064

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

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

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

35 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	95,422,331	1,400,000	-	-	-	-	-	96,822,331
Deposits and balances with banks and other financial institutions	18,333	135,549	482,057	4,918,002	-	-	-	5,553,941
Financial instruments at fair value through profit or loss	2,882,339	3,397	13,592,496	4,112,838	115,275	49,885	-	20,756,230
Available-for-sale financial assets	-	-	70,256	1,370,028	339,412	3,353,514	-	5,133,210
Loans to customers	78,675,217	56,151,959	227,924,414	237,397,455	55,727,130	-	18,282,176	674,158,351
Held-to-maturity investments	-	137,339	2,966,771	25,113,093	-	-	-	28,217,203
Amounts receivable under reverse repurchase agreements	2,905,004	-	-	-	-	-	-	2,905,004
Property, equipment and intangible assets	-	-	-	-	-	20,404,603	-	20,404,603
Current tax asset	-	-	2,559,767	-	-	-	-	2,559,767
Deferred tax asset				10,475	-	-		10,475
Other assets	1,319,319	1,323,820	7,876,144	6,827,215	58,320	8,174,718	912,102	26,491,638
Total assets	**181,222,543**	**59,152,064**	**255,471,905**	**279,749,106**	**56,240,137**	**31,982,720**	**19,194,278**	**883,012,753**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	962,785	5,977,361	5,139,516	6,051,750	5,176,000	-	-	23,307,412
Current accounts and deposits from customers	131,262,958	35,143,756	277,939,588	240,907,596	9,419,085	7,105	-	694,680,088
Debt securities issued	292,124	-	6,002,686	12,440,935	2,510,036	-	-	21,245,781
Subordinated debt	-	515,484	3,646,163	9,217,146	28,624,343	2,490,465	-	44,493,601
Amounts payable under repurchase agreements	15,945,917	-	-	-	-	-	-	15,945,917
Deferred tax liability	-	-	970	2,593,242	-	-	-	2,594,212
Current tax liability	-	-	4,429	-	-	-	-	4,429
Other liabilities	1,406,701	635,763	7,827,153	2,088,252	56,330	2,575	-	12,016,774
Total liabilities	**149,870,485**	**42,272,364**	**300,560,505**	**273,298,921**	**45,785,794**	**2,500,145**	**-**	**814,288,214**
Net position	**31,352,058**	**16,879,700**	**(45,088,600)**	**6,450,185**	**10,454,343**	**29,482,575**	**19,194,278**	**68,724,539**

35 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	42,282,426	-	-	-	-	-	-	42,282,426
Deposits and balances with banks and other financial institutions	428,496	1,597,938	2,747,186	3,682,418	-	-	-	8,456,038
Financial instruments at fair value through profit or loss	1,498,493	448,633	14,014,415	15,022,571	36,487	72,245	-	31,092,844
Available-for-sale financial assets	44,426	-	-	1,156,815	646,790	3,752,309	-	5,600,340
Loans to customers	57,375,796	52,747,632	150,074,318	169,865,146	43,717,235	-	6,657,915	480,438,042
Held-to-maturity investments	499,795	-	9,197,407	7,939,968	304,828	-	131,397	18,073,395
Property, equipment and intangible assets	-	-	-	-	-	10,823,149	-	10,823,149
Investment property	-	-	-	-	-	1,267,483	-	1,267,483
Current tax asset	150,035	-	4,675	-	-	-	-	154,710
Amounts receivable under reverse repurchase agreements	277,005	-	-	-	-	-	-	277,005
Other assets	7,496,337	788,726	5,172,478	1,464,759	478	6,894,543	1,149,667	22,966,988
Total assets	**110,052,809**	**55,582,929**	**181,210,479**	**199,131,677**	**44,705,818**	**22,809,729**	**7,938,979**	**621,432,420**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	368,029	562,872	705,885	5,958,105	192,000	-	-	7,786,891
Current accounts and deposits from customers	49,024,726	110,004,015	164,243,207	190,041,107	5,116,863	-	-	518,429,918
Debt securities issued	236,128	-	7,496	6,216,584	2,510,055	-	-	8,970,263
Subordinated debt	166,434	330,942	1,440,323	2,781,258	22,921,103	2,467,674	-	30,107,734
Deferred tax liability	-	-	-	253,099	-	-	-	253,099
Other liabilities	1,737,506	423,366	4,814,556	473,384	364	-	-	7,449,176
Total liabilities	**51,532,823**	**111,321,195**	**171,211,467**	**205,723,537**	**30,740,385**	**2,467,674**	**-**	**572,997,081**
Net position	**58,519,986**	**(55,738,266)**	**9,999,012**	**(6,591,860)**	**13,965,433**	**20,342,055**	**7,938,979**	**48,435,339**

36 Capital management

The FMSC sets and monitors capital requirements for the Bank as a whole.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

- Tier 1 capital, which is comprised of ordinary and preference share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses
- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.
- Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's income, revaluation reserves, qualifying subordinated liabilities and dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.
- Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

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

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

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

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

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

- k1.1 – not less than 0.05
- k1.2 – not less than 0.05
- k2 – not less than 0.1.

36 Capital management, continued

The following table shows the composition of the capital position calculated in accordance with the FMSC requirements established by the Rules # 358 dated 30 September, 2005 as at 31 December 2013 and 2012:

	2013 KZT'000	2012 KZT'000
Tier 1 capital		
Share capital	41,340,000	35,040,000
Additional paid-in capital	1,770	1,770
Statutory retained earnings/(accumulated losses) of prior years	3,532,335	(2,263,859)
Reserves formed from statutory retained earnings of prior years	11,982,676	6,989,704
Intangible assets	(177,608)	(133,159)
Statutory loss of current year	(677,184)	-
Total tier 1 capital	**56,001,989**	**39,634,456**
Tier 2 capital		
Revaluation reserve of property and equipment and available-for-sale financial assets	8,487	(10,732)
Dynamic reserve subject to limitation of 1.25% of risk-weighed statutory assets less not invested funds accepted based on custody agreements	9,522,251	-
Subordinated debt subject to limitation of 50% from tier 1 capital less repurchased subordinated debt	28,000,994	19,817,228
Net profit of current year	-	10,785,462
Total tier 2 capital	**37,531,732**	**30,591,958**
Total capital	**93,533,721**	**70,226,414**
Total statutory assets less not invested funds accepted based on custody agreements	**922,878,564**	**618,217,160**
Risk-weighted statutory assets, contingent liabilities, operational risk		
Credit risk weighted statutory assets	761,833,863	517,822,152
Risk weighted statutory contingent assets and liabilities	70,182,478	59,324,240
Market risk weighted statutory assets	10,801,350	12,019,540
Operational risk	11,078,819	5,749,006
Total statutory risk weighted assets, contingent liabilities, operational risk	**853,896,510**	**594,914,938**
k1.1 ratio	**0.061**	**0.064**
k1.2 ratio	**0.066**	**0.067**
k.2 ratio	**0.110**	**0.118**

The Bank is also subject to minimum capital adequacy requirements calculated in accordance with FMSC established by covenants under liabilities incurred by the Bank. The Bank complied with all externally imposed capital requirements as at 31 December 2013 and 2012.

37 Commitments

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

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

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

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

	2013 KZT'000	2012 KZT'000
Contracted amount		
Loan and credit line commitments	116,873,581	101,227,406
Guarantees	62,932,738	53,458,317
Letters of credit	2,551,248	87,553
Credit card commitments	177,977	98,788
	182,535,544	**154,872,064**

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

As at 31 December 2013 the Group has outstanding contractual commitments that exceed 10% of capital to four clients for the total amount of KZT 38,931,793 thousand. Of these commitments, KZT 24,604,213 thousand are related to revocable loan and credit line commitments. The remaining amount of KZT 14,327,580 thousand related to the guarantees issued by the Group.

38 Operating leases

Leases as lessee

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

	2013 KZT'000	2012 KZT'000
Less than 1 year	350,347	344,200

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

During the current period KZT 3,677,643 thousand was recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in respect of operating leases (2012: KZT 3,002,750 thousand).

39 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

40 Related party transactions

(a) Control relationships

The party with ultimate control over the Group is Mr. Jaxybekov A.R., who has transferred effective control to Mrs. Jaxybekova L.I. under a trust management agreement. No publicly available financial statements are produced by the Group's ultimate controlling party. The Group's parent Financial Holding Tsesna JSC (the "Parent company") and ultimate parent Tsesna Corporation JSC (the "Ultimate parent company") produce publicly available financial statements.

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

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2013 KZT'000	2012 KZT'000
Members of the Board of Directors	42,944	27,639
Members of the Management Board	543,138	434,703
	586,082	**462,342**

40 Related party transactions, continued

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

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

	2013 KZT'000	Average interest rate %	2012 KZT'000	Average interest rate %
Consolidated statement of financial position				
ASSETS				
Loans to customers	137,635	10.59	118,145	10.38
Loan impairment allowance	(1,112)	-	(310)	-
Other assets	-	-	7,550	-
LIABILITIES				
Current accounts and deposits from customers	1,924,105	7.55	2,589,389	8.51
Other liabilities	17	-	8	-
Items not recognised in the consolidated statement of financial position				
Contingent liabilities	38,576	-	50,267	-

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

	2013 KZT'000	2012 KZT'000
Profit or loss		
Interest income	11,347	16,792
Interest expense	(157,295)	(74,758)
	(145,948)	**(57,966)**

40 Related party transactions, continued

(c) Transactions with other related parties

Other related parties include the parent company, ultimate parent company, fellow subsidiaries and other related entities. The outstanding balances and the related average interest rates as at 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	Parent company		Ultimate parent company and other fellow subsidiaries		Other*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position							
ASSETS							
Loans to customers							
In KZT:							
Principal balance	-	-	1,534,821	12.00	2,052,045	12.86	3,586,866
Allowance for impairment	-	-	(12,396)	-	(16,573)	-	(28,969)
In USD:							
Principal balance	-	-	-	-	820,912	0.50	820,912
Allowance for impairment	-	-	-	-	(6,630)	-	(6,630)
Other assets	-	-	1,800,183	-	22	-	1,800,205
LIABILITIES							
Current accounts and deposits from customers							
In KZT	31,844	6.59	451,031	5.41	478,370	8.05	961,245
In USD	-	-	-	-	1,157,913	5.80	1,157,913
In other currency	-	-	1,721	-	424,400	1.00	426,121
Subordinated debt	-	-	220,000	-	-	-	220,000
Other liabilities	-	-	10	-	39	-	49
Items not recognised in the consolidated statement of financial position							
Guarantees received	-		-		22,000		22,000
Commitments	-		139,000		831,584		970,584
Consolidated statement of profit or loss and other comprehensive income							
Interest income	-		190,067		317,094		507,161
Interest expense	(5,693)		(27,831)		(76,949)		(110,473)
Income from insurance activities	-		8,992		-		8,992
Fee and commission income	55		21,914		13,719		35,688
Other general administrative expenses	-		(960,787)		4		(960,783)

40 Related party transactions, continued

(c) Transactions with other related parties, continued

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

	Parent company		Ultimate parent company and other fellow subsidiaries		Other*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position							
ASSETS							
Available-for-sale financial assets	-	-	-	-	895,180	-	895,180
Loans to customers							
In KZT:							
Principal balance	-	-	1,611,619	12.00	4,506,076	12.24	6,117,695
Allowance for impairment	-	-	-	-	(3,154)		(3,154)
In USD:							
Principal balance	-	-	-	-	759,859	11.00	759,859
Other assets	-	-	6	-	260	-	266
LIABILITIES							
Current accounts and deposits from customers							
In KZT	101,436	6.90	619,467	5.05	1,474,930	8.04	2,195,833
In USD	-	-	-	-	122,488	6.90	122,488
In other currency	-	-	-	-	392,152	7.90	392,152
Other liabilities	-	-	309	-	75	-	384
Items not recognised in the consolidated statement of financial position							
Guarantees received	-		-		22,000		22,000
Commitments	-		139,000		642,266		781,266
Consolidated statement of profit or loss and other comprehensive income							
Interest income	-		100,930		481,032		581,962
Interest expense	(681)		(44,292)		(127,635)		(172,608)
Fee and commission income	4		18,761		18,305		37,070
Other general administrative expenses	-		(925,390)		-		(925,390)

* Other related parties are the entities that are controlled by the ultimate controlling party.

41 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	96,822,331	-	-	96,822,331	96,822,331
Deposits and balances with banks and other financial institutions	-	-	5,553,941	-	-	5,553,941	5,553,941
Financial instruments at fair value through profit or loss	20,756,230	-	-	-	-	20,756,230	20,756,230
Available-for-sale financial assets	-	-	-	5,133,210	-	5,133,210	5,133,210
Loans to customers	-	-	674,158,351	-	-	674,158,351	674,779,029
Held-to-maturity investments:							
Government bonds	-	27,157,649	-	-	-	27,157,649	26,805,182
Corporate bonds	-	1,059,554	-	-	-	1,059,554	846,155
Amounts receivable under reverse repurchase agreements	-	-	2,905,004	-	-	2,905,004	2,905,004
Other financial assets	-	-	11,595,666	-	-	11,595,666	11,595,666
	20,756,230	**28,217,203**	**791,035,293**	**5,133,210**	**-**	**845,141,936**	**845,196,748**
Deposits and balances from banks and other financial institutions	-	-	-	-	23,307,412	23,307,412	23,307,412
Current accounts and deposits from customers	-	-	-	-	694,680,088	694,680,088	700,433,858
Debt securities issued	-	-	-	-	21,245,781	21,245,781	21,397,560
Subordinated debt	-	-	-	-	44,493,601	44,493,601	42,828,047
Amounts payable under repurchase agreements	-	-	-	-	15,945,917	15,945,917	15,945,917
Other financial liabilities	-	-	-	-	952,014	952,014	952,014
	-	-	-	-	**800,624,813**	**800,624,813**	**804,864,808**

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

(a) Accounting classifications and fair values, continued

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

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	42,282,426	-	-	42,282,426	42,282,426
Deposits and balances with banks and other financial institutions	-	-	8,456,038	-	-	8,456,038	8,456,038
Financial instruments at fair value through profit or loss	31,092,844	-	-	-	-	31,092,844	31,092,844
Available-for-sale financial assets	-	-	-	5,600,340	-	5,600,340	5,600,340
Loans to customers	-	-	480,438,042	-	-	480,438,042	492,611,697
Held-to-maturity investments:							
Government bonds	-	17,178,748	-	-	-	17,178,748	16,660,484
Corporate bonds	-	894,647	-	-	-	894,647	459,613
Amounts payable under repurchase agreements	-	-	-		277,005	277,005	277,005
Other financial assets	-	-	11,605,356	-	-	11,605,356	11,605,356
	31,092,844	**18,073,395**	**542,781,862**	**5,600,340**	**277,005**	**597,825,446**	**609,045,803**
Deposits and balances from banks and other financial institutions	-	-	-	-	7,786,891	7,786,891	7,786,891
Current accounts and deposits from customers	-	-	-	-	518,429,918	518,429,918	527,226,875
Debt securities issued	-	-	-	-	8,970,263	8,970,263	9,725,131
Subordinated debt	-	-	-	-	30,107,734	30,107,734	29,837,829
Other financial liabilities	-	-	-	-	1,006,496	1,006,496	1,006,496
	-	-	-	-	**566,301,302**	**566,301,302**	**575,583,222**

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

(a) Accounting classifications and fair values, continued

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

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

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

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

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

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain securities for which there is no active market.

The fair value of unquoted equity financial instruments at fair value through profit or loss with a carrying value of KZT 612 thousand (2012: nil) cannot be determined.

As disclosed in Note 19, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 10,743 thousand (2012: KZT 20,843 thousand) cannot be determined.

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

- discount rates 10.59% – 12.83% and 12.41% – 21.42% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 2.0% – 5.7% and 4.5% – 8.1% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively
- quoted market prices are used for determination of fair value of debt securities issued.

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

(b) Fair value hierarchy

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

KZT'000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss	1,857,664	18,897,954	20,755,618
Available-for-sale financial assets			
- Debt and other fixed income instruments	219,768	1,559,946	1,779,714
- Equity investments	-	3,342,753	3,342,753
	2,077,432	**23,800,653**	**25,878,085**

Securities, which are listed on the KASE but which do not have an active market as at 31 December 2013, are classified as level 2 in the fair value hierarchy. As at 31 December 2013 financial instruments categorised to Level 2 category include government securities of KZT 16,416,069 thousand.

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

KZT'000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss	1,918,324	29,174,520	31,092,844
Available-for-sale financial assets			
- Debt and other fixed income instruments	-	1,803,605	1,803,605
- Equity investments	-	3,775,892	3,775,892
	1,918,324	**34,754,017**	**36,672,341**

Securities, which are listed on the KASE but which do not have an active market as at 31 December 2012, are classified as Level 2 in the fair value hierarchy. As at 31 December 2012 financial instruments categorised to Level 2 category include government securities of KZT 24,523,531 thousand.

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

(b) Fair value hierarchy, continued

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

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	96,822,331	-	96,822,331	96,822,331
Deposits and balances with banks and other financial institutions	-	5,553,941	-	5,553,941	5,553,941
Loans to customers	-	633,557,910	41,221,119	674,779,029	674,158,351
Held-to-maturity investments	9,146,401	18,504,936	-	27,651,337	28,217,203
Amounts receivable under reverse repurchase agreements	-	2,905,004	-	2,905,004	2,905,004
Liabilities					
Deposits and balances from banks and other financial institutions	-	23,307,412	-	23,307,412	23,307,412
Current accounts and deposits from customers	-	700,433,858	-	700,433,858	694,680,088
Debt securities issued	-	21,397,560	-	21,397,560	21,245,781
Subordinated debt	-	42,828,047	-	42,828,047	44,493,601
Amounts payable under repurchase agreements	-	15,945,917	-	15,945,917	15,945,917

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

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	42,282,426	-	42,282,426	42,282,426
Deposits and balances with banks and other financial institutions	8,456,038	-	8,456,038	8,456,038
Loans to customers	475,067,194	17,544,503	492,611,697	480,438,042
Held-to-maturity investments	17,120,097	-	17,120,097	18,073,395
Amounts receivable under reverse repurchase agreements	277,005	-	277,005	277,005
Liabilities				
Deposits and balances from banks and other financial institutions	7,786,891	-	7,786,891	7,786,891
Current accounts and deposits from customers	527,226,875	-	527,226,875	518,429,918
Debt securities issued	9,725,131	-	9,725,131	8,970,263
Subordinated debt	29,837,829	-	29,837,829	30,107,734

42 Subsequent events

(a) Devaluation of Kazakhstan tenge

On 11 February 2014, the NBRK announced that it was devaluing the KZT. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. After the announcement on 12 February 2014 the KZT closed at 184.50 per USD, down approximately 19% from the close of KZT 155.56 per USD on 10 February 2014. As the devaluation occurred after the reporting date, these financial statements have not been adjusted for the rate change.

Management is still in the process of evaluating the effects of the devaluation on the Group. Management estimates that the effect from revaluation of assets and liabilities denominated in USD on the date the devaluation was announced is approximately KZT 92,649 thousand. Group's exposure to foreign currency risk at the reporting date is presented in Note 35(b)(*ii*). Management's current assessment is that the devaluation will not affect the Group's ability to comply with its debt covenants and meet its existing contractual obligations.

(b) Loan from Development Bank of Kazakhstan

In January 2014 the Group has concluded an agreement to obtain a loan for the total amount of KZT 10 billion within the Program of supporting the industrial-innovation development of the Republic of Kazakhstan through provision of financing by the Development Bank of Kazakhstan to second-tier banks, to be used for further financing of private companies, investment projects and export operations. The loan was obtained by the Bank at 7.9% per annum and maturity date on 30 January 2019. Nominal interest rate for final borrower on such loans is limited up to 11.5% per annum.

(c) Increase in share capital

On 20 March 2014 the Group increased its share capital by KZT 10 billion by issuing 5 million common shares at KZT 2 thousand per share.