

**JSC ASIACREDIT BANK  
(АЗИЯКРЕДИТ БАНК)**

**Financial Statements**  
for the year ended 31 December 2013

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES  
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Joint Stock Company AsiaCredit Bank (АзияКредит Банк) ("the Bank") as at 31 December 2013, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

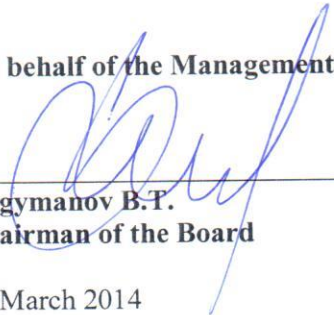
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with Kazakhstani legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Bank for the year ended 31 December 2013 were authorized for issue on 17 March 2014 by the Management Board of the Bank.

On behalf of the Management of the Bank:

  
**Nugymanov B.T.**  
**Chairman of the Board**

17 March 2014  
Almaty, Kazakhstan



  
**Musagaliyeva N.M.**  
**Chief Accountant**

17 March 2014  
Almaty, Kazakhstan



## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and the Board of Directors of Joint Stock Company "AsiaCredit Bank (АзияКредит Банк)":

### **Report on the financial statements**

We have audited the accompanying financial statements of Joint Stock Company AsiaCredit Bank (АзияКредит Банк) ("the Bank"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects the financial position of Joint Stock Company "AsiaCredit Bank (АзияКредит Банк)" as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte, LLP*



Deloitte, LLP  
State license on auditing of the Republic of  
Kazakhstan #0000015, type MFU-2, given by the  
Ministry of Finance of the Republic of Kazakhstan  
dated 13 September 2006

17 March 2014  
Almaty, Kazakhstan

*Roman*  
Roman Sattarov  
Auditor performer  
Qualification certificate No. MF-0000149  
dated 31 May 2013



*Nurlan*

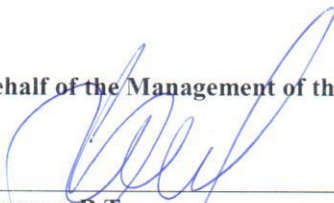
Nurlan Bekenov  
General Director  
Deloitte, LLP

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 KZT'000	2012 KZT'000
Interest income	5	7,980,992	3,900,465
Interest expense	5	(3,315,882)	(1,203,265)
<b>Net interest income</b>	5	<b>4,665,110</b>	<b>2,697,200</b>
Fee and commission income	6	904,658	372,657
Fee and commission expense	7	(425,637)	(244,230)
<b>Net fee and commission income</b>		<b>479,021</b>	<b>128,427</b>
Net (loss)/gain on derivative financial instruments	8	(57,309)	8,744
Net foreign exchange gain		254,360	55,397
Net realized (loss)/gain on available-for-sale financial assets		(16,327)	300,108
Other operating income		20,072	1,529
<b>Operating income</b>		<b>5,344,927</b>	<b>3,191,405</b>
Impairment losses	9	(432,473)	(352,984)
Personnel expenses	10	(1,758,680)	(988,168)
Other general administrative expenses	11	(1,258,704)	(718,045)
<b>Profit before income tax</b>		<b>1,895,070</b>	<b>1,132,208</b>
Income tax expense	12	(593,492)	(125,398)
<b>Profit for the year</b>		<b>1,301,578</b>	<b>1,006,810</b>
<b>Other comprehensive income/(loss), net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value, net of tax nil tenge		44,552	(146,760)
- Net change in fair value transferred to profit or loss on disposal, net of tax nil tenge		16,327	(300,108)
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<b>60,879</b>	<b>(446,868)</b>
<b>Total comprehensive income for the year</b>		<b>1,362,457</b>	<b>559,942</b>

On behalf of the Management of the Bank:

  
Nugymanov B.T.  
Chairman of the Board

17 March 2014  
Almaty, Kazakhstan



  
Musagaliyeva N.M.  
Chief Accountant

17 March 2014  
Almaty, Kazakhstan

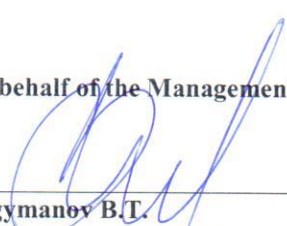
The notes on pages 9 to 62 form an integral part of these financial statements.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

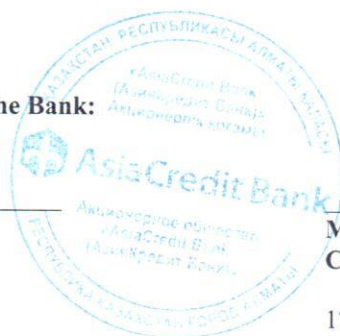
## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 KZT'000	2012 KZT'000
<b>ASSETS</b>			
Cash and cash equivalents	13	5,380,698	3,627,965
Placements with banks and other financial institutions	14	4,589,466	971,818
Loans under reverse repurchase agreements		-	190,698
Available-for-sale financial assets	15	6,842,683	9,785,561
Derivative financial instruments	16	201,582	217,459
Loans to customers	16	69,541,656	36,267,785
Current tax asset		14,804	40,379
Property, equipment and intangible assets	17	1,577,900	1,220,571
Other assets	18	4,095,578	2,542,607
<b>Total assets</b>		<b>92,244,367</b>	<b>54,864,843</b>
<b>LIABILITIES</b>			
Deposits and balances from banks and other financial institutions	19	510,791	603,218
Loans under repurchase agreements	20	2,710,645	4,738,403
Current accounts and deposits from customers	21	51,085,950	35,692,606
Derivative financial instruments		3,700	-
Debt securities issued	22	14,925,572	1,017,624
Deferred tax liability	12	798,028	310,111
Other liabilities	23	766,631	147,860
Provisions on contingencies	9	105,091	105,091
<b>Total liabilities</b>		<b>70,906,408</b>	<b>42,614,913</b>
<b>EQUITY</b>			
Share capital	24	16,904,064	8,904,064
Share premium		2,333	2,333
Revaluation reserve for available-for-sale financial assets		(142,940)	(203,819)
Revaluation surplus for buildings and land		646,304	650,427
Reserves for general banking risks		270,010	270,010
Special reserves		3,312,707	1,645,488
Retained earnings		345,481	981,427
<b>Total equity</b>		<b>21,337,959</b>	<b>12,249,930</b>
<b>Total liabilities and equity</b>		<b>92,244,367</b>	<b>54,864,843</b>

On behalf of the Management of the Bank:

  
Nugymanov B.T.  
Chairman of the Board

17 March 2014  
Almaty, Kazakhstan



  
Musagaliyeva N.M.  
Chief Accountant

17 March 2014  
Almaty, Kazakhstan

The notes on pages 9 to 62 form an integral part of these financial statements.

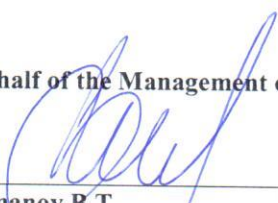


# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 KZT'000	2012 KZT'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	7,290,914	3,356,298
Interest paid	(3,134,508)	(1,128,355)
Fee and commission income received	871,642	371,601
Fee and commission expense paid	(441,974)	(225,955)
Net (payments for)/receipts from available-for-sale assets	(16,327)	300,108
Net (payments for)/receipts from derivative financial instruments	(56,009)	19,925
Net receipts from foreign exchange	286,150	71,964
Other income received	20,072	1,529
Personnel and other general administrative expenses paid	(2,871,914)	(1,610,640)
<b>(Increase)/decrease in operating assets</b>		
Mandatory reserves with the National Bank of the Republic of Kazakhstan	(243,821)	(499,522)
Placements with banks and other financial institutions	(3,364,198)	339,461
Loans under reverse repurchase agreements	190,092	(190,092)
Available-for-sale financial assets	3,037,339	(5,063,781)
Loans to customers	(33,982,407)	(18,489,859)
Other assets	(254,564)	(154,003)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks and other financial institutions	(98,840)	191,660
Loans under repurchase agreements	(2,027,952)	4,503,005
Current accounts and deposits from customers	15,207,096	21,377,282
Other liabilities	670,659	13,130
<b>Net cash (used in)/received from operating activities before income tax paid</b>	<b>(18,918,550)</b>	<b>3,183,756</b>
Income tax paid	(80,000)	(1,579)
<b>Cash flows (used in)/received from operations</b>	<b>(18,998,550)</b>	<b>3,182,177</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, equipment and intangible assets	(663,117)	(147,436)
Advances paid for building	-	(2,250,000)
Proceeds on sale of property and equipment	-	1,268
<b>Cash flows used in investing activities</b>	<b>(663,117)</b>	<b>(2,396,168)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary share capital	8,000,000	-
Dividends paid	(309,089)	-
Proceeds from issuance of debt securities	14,188,072	991,491
Redemption of debt securities issued	(503,326)	-
<b>Cash flows received from financing activities</b>	<b>21,375,657</b>	<b>991,491</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,713,990</b>	<b>1,777,500</b>
Effect of changes in exchange rates on cash and cash equivalents	38,743	18,092
Cash and cash equivalents as at the beginning of the year	3,627,965	1,832,373
<b>Cash and cash equivalents as at the end of the year (Note 13)</b>	<b>5,380,698</b>	<b>3,627,965</b>

On behalf of the Management of the Bank:

  
Nugymanov B.T.  
Chairman of the Board

17 March 2014  
Almaty, Kazakhstan



  
Musagaliyeva N.M.  
Chief Accountant

17 March 2014  
Almaty, Kazakhstan

The notes on pages 9 to 62 form an integral part of these financial statements.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

KZT'000	Share capital	Share premium	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings and land	Reserves for general banking risks	Special reserves	Retained earnings	Total
Balance as at 1 January 2012	8,904,064	2,333	243,049	655,713	270,010	531,817	1,083,002	11,689,988
<b>Total comprehensive income</b>								
Profit for the year	-	-	-	-	-	-	1,006,810	1,006,810
<b>Other comprehensive income</b>								
Net change in fair value of available-for-sale financial assets	-	-	(146,760)	-	-	-	-	(146,760)
Available-for-sale financial assets reserve transferred to profit or loss on disposal	-	-	(300,108)	-	-	-	-	(300,108)
<b>Total comprehensive (loss)/income for the year</b>	-	-	<b>(446,868)</b>	-	-	-	<b>1,006,810</b>	<b>559,942</b>
Transfer to statutory reserves	-	-	-	-	-	1,113,671	(1,113,671)	-
Depreciation of revalued buildings and land	-	-	-	(5,286)	-	-	5,286	-
<b>Balance as at 31 December 2012</b>	<b>8,904,064</b>	<b>2,333</b>	<b>(203,819)</b>	<b>650,427</b>	<b>270,010</b>	<b>1,645,488</b>	<b>981,427</b>	<b>12,249,930</b>

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Share premium	Revaluation reserve for available-for-sale financial assets	Revaluation surplus for buildings and land	Reserves for general banking risks	Special reserves	Retained earnings	Total
<b>KZT'000</b>								
Balance as at 1 January 2013	8,904,064	2,333	(203,819)	650,427	270,010	1,645,488	981,427	12,249,930
Profit for the year	-	-	-	-	-	-	1,301,578	1,301,578
Net change in fair value of available-for-sale financial assets	-	-	44,552	-	-	-	-	44,552
Available-for-sale financial assets reserve transferred to profit or loss on disposal	-	-	16,327	-	-	-	-	16,327
<b>Total comprehensive income for the year</b>	-	-	<b>60,879</b>	-	-	-	<b>1,301,578</b>	<b>1,362,457</b>
Issue of ordinary share capital	8,000,000	-	-	-	-	-	-	8,000,000
Dividends paid	-	-	-	-	-	-	(309,639)	(309,639)
Release of unpaid dividends	-	-	-	-	-	-	35,211	35,211
Derecognition of statutory reserve	-	-	-	-	-	(1,645,488)	1,645,488	-
Other reserve	-	-	-	-	-	3,312,707	(3,312,707)	-
Depreciation of revalued buildings and land	-	-	(4,123)	-	-	-	4,123	-
<b>Balance as at 31 December 2013</b>	<b>16,904,064</b>	<b>2,333</b>	<b>(142,940)</b>	<b>646,304</b>	<b>270,010</b>	<b>3,312,707</b>	<b>345,481</b>	<b>21,337,959</b>

On behalf of the Management of the Bank:

Nugymantov B.T.  
Chairman of the Board

Musagaliyeva N.M.  
Chief Accountant

17 March 2014  
Almaty, Kazakhstan

17 March 2014  
Almaty, Kazakhstan

The notes on pages 9 to 62 form an integral part of these financial statements.



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 1. BACKGROUND

#### Organisation and operations

JSC «AsiaCredit Bank (АзияКредит Банк)» (“the Bank”) was established in Kazakhstan as Open Joint Stock Company Joint Bank LARIBA Bank and was granted its general banking license on 20 October 1994. Due to a change in legislation introduced in 2003, the Bank was re-registered as a Joint Stock Company on 2 July 2004 and was granted banking license #75 on 7 December 2007 and on 28 May 2009 the Bank renewed its license. On 27 April 2009 the Bank changed its name to JSC «AsiaCredit Bank (АзияКредит Банк)»

The Bank’s principal activities 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 for Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (“FMSC” – previously known as Agency for Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan) 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 the Republic of Kazakhstan.

The Bank’s registered office is located at 95/70, Gogol Street Almaty, the Republic of Kazakhstan, 050000.

As at 31 December 2013, the Bank had nine branches in Almaty, Astana, Atyrau, Aktau, Aktobe, Karaganda, Shymkent, Pavlodar and Ust-Kamenogorsk, and four organization departments three of which located in Almaty and one in Astana.

As at 31 December 2012, the Bank had four branches in Almaty, Astana, Atyrau and Aktau and two organization departments in Almaty.

The majority of the Bank’s assets and liabilities are located in the Republic of Kazakhstan.

As at 31 December 2013 and 2012, the Bank had 507 and 270 employees, respectively.

As at 31 December 2013, the shareholders of the Bank are Mr. Sultan Nurbol Sarybayuly, who owns 88.50%, Mr. Chingiz Temerkanovich Dosmukhambetov – 3.71%, Ms. Zhumakul Sarbasovna Tanurbergenova – 5.73%. Other shareholders own individually less than 5% of shares of the Bank.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Kazakhstan tenge (“KZT thousand”) unless stated otherwise.

The financial statements are prepared on the historical cost basis except for certain financial measured at fair value, and buildings and land that are measured at revalued cost in accordance with International Accounting Standard (“IAS”) 16 “Property, Plant and Equipment”.



Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such value in use in IAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **Functional and presentation currency**

The functional currency of the Bank is the Kazakhstan tenge (“KZT”).

#### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

#### **Revenue recognition**

##### *Recognition of interest income and expense*

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.



*Recognition of fee and commission income*

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

**Financial instruments**

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in comprehensive income.

**Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.



Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in comprehensive income. The net gain or loss recognized in comprehensive income incorporates any dividend and interest earned on the financial asset and is included in the “other operating income” and “interest income” line item, respectively, in the statement of comprehensive income.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Bank that are traded in an active market are classified as AFS and are stated at fair value. The Bank also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

**Loans to customers and trade receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the National Bank of the Republic of Kazakhstan, due from banks, loans to customers and other financial assets) are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Loans under repurchase agreements and loans under reverse repurchase agreements**

In the normal course of business, the Bank enters into financial assets sale and purchase back agreements (“loans under repurchase agreements” or “repos”) and financial assets purchase and sale back agreements (“loans under reverse repurchase agreements” or “reverse repos”). Repos and reverse repos are utilized by the Bank as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit collateralized by securities and other assets and are classified within due from banks and/or loans to customers.

The Bank enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Kazakhstan, the recipient of collateral has the right to sell or re-pledge the collateral, subject to returning equivalent securities on settlement of the transaction.



**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments, or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in comprehensive income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to comprehensive income in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in comprehensive income are not reversed through comprehensive income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through comprehensive income if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.



**Write off of loans and advances**

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of comprehensive income in the period of recovery.

**Derecognition of financial assets**

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in comprehensive income.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognised on the basis of the relative fair values of those parts.

**Financial liabilities and equity instruments issued***Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in comprehensive income on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

*Other financial liabilities*

Other financial liabilities, including deposits by banks and customers, repurchase agreements, debt securities issued, other borrowed funds, subordinated debt and other financial liabilities, are initially measured at fair value, net of transaction costs.



Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

#### **Derecognition of financial liabilities**

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

#### **Derivative financial instruments**

##### *Swap*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest.

The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps from monoline insurers and banks in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap.



**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Bank as lessor*

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

*The Bank as lessee*

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in comprehensive income unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**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 Bank in the management of short-term commitments. The mandatory reserve deposit with the NBRK is not included as a cash and cash equivalent due to restrictions on its availability.

**Property and equipment**

*Owned assets*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings and land, 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.



## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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#### *Revaluation*

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

#### *Depreciation*

Depreciation is charged to comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Depreciation an asset commences from the moment when it becomes available for use, i.e. when its location and condition allows utilizing it in accordance with the management's intention. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Vehicles	5 years
Computers	3 to 5 years
Equipment and other assets	3 to 8 years
Leasehold improvements	3 to 5 years

#### **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 comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

Amortisation of an asset commences from the moment when it becomes available for use, i.e. when its location and condition allows utilizing it in accordance with the management's intention.

#### **Foreclosed assets**

Foreclosed assets are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **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 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 recognized in comprehensive income 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.

**Provisions**

A provision is recognised in the statement of financial position when the Bank 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.

**Share capital**

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.

*Equity reserves*

The reserves recorded in equity (other comprehensive income) on the Bank's statement of financial position include:

- "Investment available-for-sale" reserve which comprises changes in fair value of available-for-sale investments;
- "Special reserves" – before 2013 special reserves reflected the difference between provisions for impairment losses accrued under IFRS and provisions for impairment losses reported to the regulator in accordance with statutory requirements. As at 31 December 2012, special reserves amounted to KZT 1,645,488 thousand.

In 2013, due to amendments to the requirements of the National Bank of the Republic of Kazakhstan, the Bank stopped accruing provisions according to the requirements and recognized dynamic provisions. Dynamic provisions allow the Bank recording of non-current expected losses on its loan portfolio. As at 31 December 2013, dynamic provisions amounted to KZT 3,312,707 thousand.

- "Reserve for general banking risk" is created, as required by the statutory regulations of the Republic of Kazakhstan, for general risks, including future losses and other unforeseen risks or contingencies. For the financial statement purposes the Bank has separated these reserves from retained earnings.

*Dividends*

The ability of the Bank 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.

**Taxation**

Income tax expense represents the sum of the current and deferred tax expense.

The current income tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current income tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Such assets and liabilities are not recognised if a temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither tax profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in a statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Kazakhstan where the Bank operates also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

#### **Retirement and other benefit obligations**

In accordance with the requirements of the legislation of the Republic of Kazakhstan, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee income and paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Bank does not have any pension arrangements other than the pension system of the Republic of Kazakhstan. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.



**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Bank's accounting policies the Bank's management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Impairment of loans and receivables*

The Bank regularly reviews its loans and receivables to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Bank considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Bank uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2013 and 2012 the allowance for impairment losses on loans to customers amounted to KZT 1,036,495 thousand and KZT 604,438 thousand, respectively.

**4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

In the reporting year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods ending on 31 December 2013. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.



**Standards and interpretations issued and not yet adopted**

*Amendments to IAS 1 “Presentation of financial statements (amended June 2011)”*

The Bank has applied the amendments to IAS 1 titled “Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012)”. The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyze items within the statement of comprehensive income between items that will not be reclassified subsequently to comprehensive income and items that will be reclassified subsequently to comprehensive income in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyze income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on comprehensive income and total comprehensive income.

*IFRS 13 Fair Value Measurement*

The Bank has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see Notes 7, 8 and 29 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

**New and revised IFRSs in issue but not yet effective**

The Bank has not applied the following IFRS and IFRIC that have been issued and that are relevant to its operations:

- IFRS 9 “Financial Instruments”;
- Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”;
- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”.



## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

*IFRS 9 "Financial Instruments"* - IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in comprehensive income.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in comprehensive income. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to comprehensive income. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in comprehensive income.

The management of the Bank anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale financial assets will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in comprehensive income). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

*Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"* - The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The management of the Bank does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Bank's financial statements as the Bank does not have any financial assets and financial liabilities that qualify for offset.

## 5 NET INTEREST INCOME

	2013 KZT'000	2012 KZT'000
<b>Interest income comprises:</b>		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired financial assets	5,615,362	3,171,265
- interest income on impaired financial assets	1,680,648	418,454
Interest income on financial assets at fair value	684,982	310,746
<b>Total interest income</b>	<b>7,980,992</b>	<b>3,900,465</b>



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 KZT'000	2012 KZT'000
Interest income on financial assets recorded at amortized cost comprises:		
Interest on placements with banks and other financial institutions	80,382	14,743
Interest on loans under reverse repurchase agreements	29,450	13,023
Interest on loans to customers	6,791,127	3,412,770
Penalties on loans to customers	395,051	149,183
<b>Total interest income on financial assets recorded at amortized cost</b>	<b>7,296,010</b>	<b>3,589,719</b>
Interest income on financial assets at fair value comprises:		
Interest income on financial assets available-for-sale	684,982	310,746
<b>Total interest income</b>	<b>7,980,992</b>	<b>3,900,465</b>
<b>Interest expense comprises:</b>		
Interest expense on financial liabilities recorded at amortized cost	3,315,882	1,203,265
Interest expense on financial liabilities recorded at amortized cost comprise:		
Deposits and balances from banks and other financial institutions	85,917	37,006
Loans under repurchase agreements	103,807	28,318
Current accounts and deposits from customers	2,461,562	1,111,808
Debt securities issued	664,596	26,133
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<b>3,315,882</b>	<b>1,203,265</b>
<b>Net interest income</b>	<b>4,665,110</b>	<b>2,697,200</b>

## 6 FEE AND COMMISSION INCOME

	2013 KZT'000	2012 KZT'000
Guarantee issuance	412,115	72,377
Cash withdrawal	212,454	110,676
Remittance services	126,856	87,505
Foreign exchange	66,739	57,875
Settlement	22,082	10,995
Agent services	10,741	7,490
Rent of safe deposit	5,788	4,880
Other	47,883	20,859
	<b>904,658</b>	<b>372,657</b>

**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013****7 FEE AND COMMISSION EXPENSE**

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
Agent services	327,787	194,269
Card transaction	51,835	22,608
Other	46,015	27,353
	<b>425,637</b>	<b>244,230</b>

**8 NET (LOSS)/GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
Realised (loss)/gain on derivative financial instruments	(56,009)	19,925
Unrealised loss on revaluation of derivative financial instruments	(1,300)	(11,181)
	<b>(57,309)</b>	<b>8,744</b>

**9 IMPAIRMENT LOSSES**

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
<b>Net charge for the year:</b>		
Loans to customers	432,473	352,984
	<b>432,473</b>	<b>352,984</b>

**10 PERSONNEL EXPENSES**

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
Employee compensation	1,608,736	902,483
Payroll related taxes	149,944	85,685
	<b>1,758,680</b>	<b>988,168</b>



**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013****11 OTHER GENERAL ADMINISTRATIVE EXPENSES**

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
Rent expense	190,488	85,763
Advertising and marketing	179,342	96,165
Depreciation and amortisation	147,817	96,684
Professional services	141,695	96,555
Taxes other than on income	128,153	55,054
Security	102,405	65,820
Communication and information services	56,005	51,497
Fund of deposits guarantee	50,825	5,688
Utilities	41,545	21,907
Travel expenses	41,016	21,802
Corporate events	31,209	17,547
Transportation services	28,812	14,770
Repairs and maintenance	10,844	17,060
Encashment services	10,409	5,738
Membership fees	9,564	10,381
Stationery	6,904	9,431
Post office services	6,700	3,361
Insurance	114	137
Other	74,857	42,685
	<b>1,258,704</b>	<b>718,045</b>

**12 INCOME TAX EXPENSE**

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
<b>Income tax expense</b>		
Current income tax expense	105,575	8,417
Deferred income tax expense	487,917	116,981
<b>Total income tax expense</b>	<b>593,492</b>	<b>125,398</b>

The Bank's applicable tax rate in 2013 and 2012 is the income tax rate of 20% for Kazakhstan companies.

	<b>Year ended</b> <b>31 December</b> <b>2013</b>	<b>Year ended</b> <b>31 December</b> <b>2012</b>
Profit before income tax	1,895,070	1,132,208
Tax at the statutory tax rate 20%	379,014	226,442
Non-taxable income	(99,754)	(109,255)
Non-deductible expenses	314,232	8,211
<b>Income tax expense</b>	<b>593,492</b>	<b>125,398</b>

**Deferred tax assets and liabilities**

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 liabilities as at 31 December 2013 and 2012.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Balance 1 January 2013	Recognised in profit or loss	Balance 31 December 2013
<b>2013</b>			
<b>KZT'000</b>			
Derivative financial instruments	(43,492)	3,656	(39,836)
Loans to customers	(120,227)	120,227	-
Dynamic reserve	-	(662,541)	(662,541)
Property, equipment and intangible assets	(149,524)	(43,718)	(193,242)
Interest payable	-	87,067	87,067
Other liabilities	3,132	7,392	10,524
	<b>(310,111)</b>	<b>(487,917)</b>	<b>(798,028)</b>
<b>2012</b>			
<b>KZT'000</b>			
Derivative financial instruments	(48,435)	4,943	(43,492)
Loans to customers	249	(120,476)	(120,227)
Property, equipment and intangible assets	(146,159)	(3,365)	(149,524)
Other liabilities	1,215	1,917	3,132
	<b>(193,130)</b>	<b>(116,981)</b>	<b>(310,111)</b>

### 13 CASH AND CASH EQUIVALENTS

	2013 KZT'000	2012 KZT'000
<b>Cash on hand</b>	<b>613,993</b>	<b>454,697</b>
<b>Nostro accounts with the NBRK</b>	<b>765,220</b>	<b>1,483,233</b>
<b>Nostro accounts with other banks</b>		
- rated from A- to A+	3,918,267	1,648,817
- rated BBB	536	10
- rated from BB- to BB+	54,901	19,795
- rated B+	333	1,188
- rated below B	27,448	20,225
<b>Total nostro accounts with other banks</b>	<b>4,001,485</b>	<b>1,690,035</b>
<b>Total cash and cash equivalents</b>	<b>5,380,698</b>	<b>3,627,965</b>

As at 31 December 2013 and 2012 none of the cash equivalents were impaired or past due.

### 14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 KZT'000	2012 KZT'000
<b>Mandatory reserve with the NBRK</b>	<b>1,071,402</b>	<b>827,581</b>
<b>Term deposits with other banks</b>		
- rated from A- to A+	1,325,907	30,148
- rated from BB to B	218,627	108,755
- rated below B	1,969,993	-
Receivables from Western Union	387	-
Receivables from banks under card transactions	3,150	5,334
<b>Total term deposits with other banks</b>	<b>3,518,064</b>	<b>144,237</b>
<b>Total placements with banks and other financial institutions</b>	<b>4,589,466</b>	<b>971,818</b>



## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

As at 31 December 2013 and 2012 KZT 1,513,722 thousand and KZT 108,755 thousand, represent Bank's collateral for banking activities relating to provision of guarantees and receiving of processing services.

As at 31 December 2013 and 2012, the Bank has no placements with banks and other financial institutions with carrying amount exceeding 10% of equity.

#### 15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 KZT'000	2012 KZT'000
<b>Debt and other fixed-income instruments:</b>		
- <b>Government bonds:</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5,303,277	7,869,772
<b>Total government bonds:</b>	<b>5,303,277</b>	<b>7,869,772</b>
- <b>Corporate bonds:</b>		
rated from BBB- to BBB+	1,181,167	871,713
rated from BB- to BB+	-	914,240
<b>Total corporate bonds</b>	<b>1,181,167</b>	<b>1,785,953</b>
<b>Equity investments</b>		
- Corporate shares	358,239	129,836
	<b>6,842,683</b>	<b>9,785,561</b>

As at 31 December 2013 and 2012, no bonds or notes are impaired or past due.

Available-for-sale financial assets carried at cost consist of unquoted equity securities of JSC Central Securities Depository.

#### 16 LOANS TO CUSTOMERS

The Bank uses the following classification of loans by classes:

Loans to corporate customers:

- Loans to large corporations – loans issued to clients with average annual income of more than KZT 5,556,000 thousand;
- Loans to medium size companies – loans issued to clients with average annual income less than KZT 5,556,000 thousand;
- Loans to small size companies – loans issued to clients with average annual income less than KZT 55,904 thousand.

Loans to retail customers:

- Consumer loans
- Mortgage loans
- Auto loans
- Other retail loans

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 KZT'000	2012 KZT'000
<b>Loans to corporate customers</b>		
Loans to large corporations	40,886,040	25,277,711
Loans to small and medium size companies	13,627,351	3,983,484
<b>Total loans to corporate customers</b>	<b>54,513,391</b>	<b>29,261,195</b>
<b>Loans to retail customers</b>		
<b>Mortgage loans (secured by real estate):</b>	<b>13,626,718</b>	<b>5,694,735</b>
<i>Housing loans</i>	7,901,341	2,429,446
<i>Consumer loans</i>	3,705,354	1,928,267
<i>Other</i>	2,020,023	1,337,022
<b>Loans secured by cash:</b>	<b>413,953</b>	<b>915</b>
<i>Consumer loans</i>	413,953	915
<b>Loans secured by cars:</b>	<b>131,439</b>	<b>125,247</b>
<i>Loans for purchase of cars</i>	131,439	125,247
<b>Loans secured by other types of pledge</b>	<b>1,431,305</b>	<b>1,559,531</b>
<i>Consumer loans</i>	1,184,336	87,477
<i>Other</i>	246,969	1,472,054
<b>Uncollateralized loans to retail customers:</b>	<b>461,345</b>	<b>230,600</b>
<i>Housing loans</i>	322,335	192,000
<i>Consumer loans</i>	72,879	35,507
<i>Loans for purchase of cars</i>	3,854	2,833
<i>Other</i>	62,277	260
<b>Total loans to retail customers</b>	<b>16,064,760</b>	<b>7,611,028</b>
<b>Loans to customers before impairment allowance</b>	<b>70,578,151</b>	<b>36,872,223</b>
Impairment allowance	(1,036,495)	(604,438)
<b>Loans to customers net of impairment allowance</b>	<b>69,541,656</b>	<b>36,267,785</b>

Movements in the loan impairment allowance of loans to customers for the years ended 31 December 2013 and 2012 are as follows:

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	604,438	245,703
Net charge for the year	432,473	352,984
(Write-off)/Recovery of previously written off assets	(450)	5,743
Exchange difference	34	8
<b>Balance at the end of the year</b>	<b>1,036,495</b>	<b>604,438</b>



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### Credit quality of loans to customers

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
	KZT'000	KZT'000	KZT'000	%
<b>Loans to small and medium size companies</b>				
Loans without individual signs of impairment				
- Standard loans	12,384,935	(28,266)	12,356,669	0.2
- Watch list loans	341,248	-	341,248	-
Impaired loans:				
- overdue more than 90 days and less than 1 year	581,897	-	581,897	-
- overdue more than 1 year	319,271	-	319,271	-
<b>Total loans to small and medium size companies</b>	<b>13,627,351</b>	<b>(28,266)</b>	<b>13,599,085</b>	<b>0.2</b>
<b>Total loans to corporate customers</b>	<b>54,513,391</b>	<b>(714,990)</b>	<b>53,798,401</b>	<b>1.3</b>
<b>Loans to retail customers</b>				
<b>Consumer loans</b>				
- not overdue	5,128,900	(1,560)	5,127,340	0.4
- overdue less than 30 days	96,801	(434)	96,367	0.5
- overdue 31-89 days	53,844	-	53,844	-
- overdue 90-179 days	25,331	(921)	24,410	3.6
- overdue more than 1 year	71,646	(6,092)	65,554	8.5
<b>Total consumer loans</b>	<b>5,376,522</b>	<b>(9,007)</b>	<b>5,367,515</b>	<b>0.2</b>
<b>Mortgage loans</b>				
- not overdue	6,892,595	(1,109)	6,891,486	0.0
- overdue less than 30 days	158,629	(33)	158,596	0.0
- overdue 31-89 days	37,225	(1,121)	36,104	-
- overdue 90-179 days	52,305	-	52,305	-
- overdue 180-360 days	758,042	(193,745)	564,297	25.7
- overdue more than 1 year	324,880	(115,895)	208,985	35.8
<b>Total mortgage loans</b>	<b>8,223,676</b>	<b>(311,903)</b>	<b>7,911,773</b>	<b>3.8</b>
<b>Auto loans</b>				
- not overdue	135,293	(210)	135,083	0.2
<b>Total auto loans</b>	<b>135,293</b>	<b>(210)</b>	<b>135,083</b>	<b>0.2</b>
<b>Other</b>				
- not overdue	2,313,706	(125)	2,313,581	0.0
- overdue 30-89 days	15,303	-	15,303	-
- overdue more than 1 year	260	(260)	-	100.0
<b>Total other</b>	<b>2,329,269</b>	<b>(385)</b>	<b>2,328,884</b>	<b>0.02</b>
<b>Total loans to retail customers</b>	<b>16,064,760</b>	<b>(321,505)</b>	<b>15,743,255</b>	<b>2.0</b>
<b>Total loans to customers</b>	<b>70,578,154</b>	<b>(1,036,495)</b>	<b>69,541,656</b>	<b>1.5</b>

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
	KZT'000	KZT'000	KZT'000	%
<b>Loans to corporate customers</b>				
<b>Loans to large corporates</b>				
Loans without individual signs of impairment				
- Standard loans	38,598,356	(304,933)	38,293,423	0.8
- Watch list loans	1,584,255	(40,194)	1,544,061	2.5
Impaired loans :				
- overdue more than 90 days and less than 1 year	348,508	(96,739)	251,769	27.8
- overdue more than 1 year	354,921	(244,858)	110,063	69.0
<b>Total loans to large corporates</b>	<b>40,886,040</b>	<b>(686,724)</b>	<b>40,199,316</b>	<b>1.7</b>

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

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
	KZT'000	KZT'000	KZT'000	%
<b>Loans to corporate customers</b>				
<b>Loans to large corporates</b>				
Loans without individual signs of impairment				
Standard loans	22,547,073	-	22,547,073	-
Watch list loans	25,938	-	25,938	-
Impaired loans :				
- non impaired	1,451,654	(60,233)	1,391,421	4.1
- overdue more than 90 days and less than 1 year	854,262	(21,073)	833,189	2.5
- overdue more than 1 year	398,784	(250,807)	147,977	62.9
<b>Total loans to large corporates</b>	<b>25,277,711</b>	<b>(332,113)</b>	<b>24,945,598</b>	<b>1.3</b>



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
	KZT'000	KZT'000	KZT'000	%
<b>Loans to small and medium size companies</b>				
Loans without individual signs of impairment				
- Standard loans	3,261,874	(3,402)	3,258,472	0.1
- Watch list loans	531,901	-	531,901	-
Impaired loans:				
- overdue more than 90 days and less than 1 year	67,602	-	67,602	-
- overdue more than 1 year	122,107	(20,849)	101,258	17.1
<b>Total loans to small and medium size companies</b>	<b>3,983,484</b>	<b>(24,251)</b>	<b>3,959,233</b>	<b>0.6</b>
<b>Total loans to corporate customers</b>	<b>29,261,195</b>	<b>(356,364)</b>	<b>28,904,831</b>	<b>1.2</b>
<b>Loans to retail customers</b>				
<b>Consumer loans</b>				
- not overdue	1,940,550	(1,196)	1,939,354	0.1
- overdue less than 30 days	5,164	(44)	5,120	0.9
- overdue 31-89 days	40,087	(575)	39,512	1.4
- overdue 90-179 days	53,226	-	53,226	-
- overdue 180-360 days	7,202	-	7,202	-
- overdue more than 1 year	5,937	(5,937)	-	100.0
<b>Total consumer loans</b>	<b>2,052,166</b>	<b>(7,752)</b>	<b>2,044,414</b>	<b>0.4</b>
<b>Mortgage loans</b>				
- not overdue	2,284,256	(761)	2,283,495	0.0
- overdue less than 30 days	7,622	(230)	7,392	3.0
- overdue 31-89 days	-	-	-	-
- overdue 90-179 days	8,497	(1,563)	6,934	18.4
- overdue 180-360 days	123,445	-	123,445	-
- overdue more than 1 year	197,626	(124,466)	73,160	63.0
<b>Total mortgage loans</b>	<b>2,621,446</b>	<b>(127,020)</b>	<b>2,494,426</b>	<b>4.8</b>
<b>Auto loans</b>				
- not overdue	125,428	(406)	125,022	0.3
- overdue 30-89 days	2,652	-	2,652	-
<b>Total auto loans</b>	<b>128,080</b>	<b>(406)</b>	<b>127,674</b>	<b>0.3</b>
<b>Other</b>				
- not overdue	2,740,355	(112,636)	2,627,719	4.1
- overdue 30-89 days	68,721	-	68,721	-
- overdue more than 1 year	260	(260)	-	100.0
<b>Total other</b>	<b>2,809,336</b>	<b>(112,896)</b>	<b>2,696,440</b>	<b>4.0</b>
<b>Total loans to retail customers</b>	<b>7,611,028</b>	<b>(248,074)</b>	<b>7,362,954</b>	<b>3.3</b>
<b>Total loans to customers</b>	<b>36,872,223</b>	<b>(604,438)</b>	<b>36,267,785</b>	<b>1.6</b>

## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The components of net investment in finance lease as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Up to one year	107,793	16,618
From one year to five years	281,271	217,953
More than five years	47,268	-
Minimum lease payments	436,332	234,571
Less: unearned finance income	(184,599)	(103,084)
Less: allowance for impairment losses	(19,047)	-
Net investment in finance lease	232,686	131,487
Current portion	19,921	3,659
Long-term portion	212,765	127,828
Net investment in finance lease	232,686	131,487

Net investment in finance lease is secured over the storage equipment or car leased. The Bank's is not permitted to sell of re-pledge the collateral in the absence of default by lessor.

As at 31 December 2013, included in loans to corporate customers are watch list loans of KZT 1,925,503 thousand (2012: KZT 557,839 thousand). These loans are overdue but not impaired.

As at 31 December 2013, included in the loan portfolio are restructured loans to corporate and retail customers that would otherwise be past due or impaired of KZT 145,209 thousand and KZT 62,787 thousand, respectively (2012: KZT 1,395,922 thousand and KZT 37,001 thousand). Such restructuring activity is aimed at managing customer relationships and maximizing collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

#### Key assumptions and judgments for estimating the loan impairment

##### Loans to corporate customers

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to corporate customers include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in business environment, negative changes in the borrower's markets; and
- negative force-majeure events.

The Bank estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment have been identified.



## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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

- historic annual loss rate of 0% - given the small number of borrowers, all of which have been individually assessed for impairment, and the low historic losses, no collective impairment provision is required;
- a discount of between 30% and 50% to the currently appraised value if the property pledged is sold; and
- a delay of 12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could effect the loan impairment provision.

#### Loans to retail customers

The Bank 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; and
- in respect of mortgage loans, a delay of 12 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of not more than 30% to the currently appraised value if the property pledged is sold through court procedures.

Changes in these estimates could affect the loan impairment provision.

#### Analysis of collateral

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself as at 31 December 2013 and 2012:

	2013 KZT'000	2012 KZT'000
Loans collateralized by pledge of real estate	37,313,334	21,942,532
Loans collateralized by guarantees	19,273,195	7,289,725
Loans collateralized by pledge of movables	2,788,296	2,196,977
Loans collateralized by cash	1,122,004	29,362
Loans secured by a pledge of shares of other companies	758,042	1,176,036
Other collateral	4,919,958	2,592,305
Unsecured loans	4,403,322	1,645,286
	<hr/>	<hr/>
	70,578,151	36,872,223
Less: allowance for impairment losses	(1,036,495)	(604,438)
	<hr/>	<hr/>
<b>Total loans to customers</b>	<b>69,541,656</b>	<b>36,267,785</b>

During the year ended 31 December 2013, the Bank obtained assets with the carrying amount of KZT 1,425,985 thousand by taking control of collateral securing loans to corporate customers (2012: KZT 38,069 thousand) and has realized collateral of KZT 386,755 thousand (2012: KZT 11,744 thousand).

**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013****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:

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
<b>Analysis by sector:</b>		
Trade	18,952,754	9,006,755
Individuals	16,064,760	7,611,028
Services	15,462,069	6,120,628
Industrial production	6,525,739	2,026,854
Construction	5,114,311	4,297,922
Agriculture	4,246,410	4,165,235
Transport	1,091,584	879,641
Real estate	544,118	926,827
Healthcare and social services	175,728	589,246
Education	154,447	201,052
Oil and gas industry	-	445,009
Other	2,246,231	602,026
	<b>70,578,151</b>	<b>36,872,223</b>
Less: allowance for impairment losses	(1,036,495)	(604,438)
<b>Total loans to customers</b>	<b>69,541,656</b>	<b>36,267,785</b>

**Significant credit exposures**

As at 31 December 2013, the Bank had two borrowers, whose loan balances exceed 10% of equity. As at 31 December 2012, the Bank had four borrowers, whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2013 is KZT 4,581,736 thousand (2012: KZT 7,099,471 thousand).

**Loan maturities**

The maturity of the loan portfolio is presented in note 25, which shows the remaining period from the reporting date to the contractual maturity of the loans.

**Embedded derivative**

As at 31 December 2013, the repayment of loans to customers of KZT 486,378 thousand (2012: KZT 668,849 thousand) is in part linked to any appreciation in the rate of the USD against the KZT. If the USD appreciates, the amount receivable is increased by the respective change in the index. If the USD depreciates, the amount receivable is not adjusted below the original outstanding amount in KZT.

These embedded derivatives are recorded at fair value in the financial statements. The estimated amount of the embedded derivative as at 31 December 2013 is KZT 199,182 thousand (2012: KZT 217,459 thousand). The fair value is calculated using a model based on the Black-Scholes option pricing model.



## **JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013**

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As at 31 December 2013, the management uses the following assumptions for valuation of the embedded derivative:

- risk-free rates are estimated using yield curves for respective currencies and ranged from 0.17% to 2.47% for USD, and from 3.80% to 4.87% for KZT;
- volatility in the model is defined based on the historical observations of fluctuations in actual foreign exchange rates;
- no transaction cost is included in the model.

As at 31 December 2012, the management uses the following assumptions for valuation of the embedded derivative:

- risk-free rates are estimated using yield curves for respective currencies and ranged from 0.37% to 2.05% for USD, and from 2.16% to 4.13% for KZT;
- volatility in the model is defined based on the historical observations of fluctuations in actual foreign exchange rates;
- no transaction cost is included in the model.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 17 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

KZT'000	Buildings	Land	Vehicles	Computers	Equipment and other assets	Intangible assets	Construction in progress	Leasehold improvements	Total
<b>Cost/revalued amount</b>									
Balance at 1 January 2013	964,451	465,673	25,775	120,413	200,390	155,168	-	23,594	1,955,464
Additions	11,926	-	60,522	42,585	162,370	59,643	18,644	149,456	505,146
Disposals	-	-	(11,327)	(65)	(1,977)	-	-	(917)	(14,286)
<b>Balance at 31 December 2013</b>	<b>976,377</b>	<b>465,673</b>	<b>74,970</b>	<b>162,933</b>	<b>360,783</b>	<b>214,811</b>	<b>18,644</b>	<b>172,133</b>	<b>2,446,324</b>
<b>Depreciation/amortisation</b>									
Balance at 1 January 2013	485,576	-	23,535	53,923	117,089	40,689	-	14,081	734,893
Charge	24,734	-	6,215	33,272	41,079	27,026	-	15,491	147,817
Disposals	-	-	(11,327)	(65)	(1,977)	-	-	(917)	(14,286)
<b>Balance at 31 December 2013</b>	<b>510,310</b>	<b>-</b>	<b>18,423</b>	<b>87,130</b>	<b>156,191</b>	<b>67,715</b>	<b>-</b>	<b>28,655</b>	<b>868,424</b>
<b>Net book value</b>									
<b>As at 31 December 2013</b>	<b>466,067</b>	<b>465,673</b>	<b>56,547</b>	<b>75,803</b>	<b>204,592</b>	<b>147,096</b>	<b>18,644</b>	<b>143,478</b>	<b>1,577,900</b>



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

KZT'000	Buildings	Land	Vehicles	Computers	Equipment and other assets	Intangible assets	Leasehold improvements	Total
<b>Cost/revalued amount</b>								
Balance at 1 January 2012	955,759	465,673	32,817	82,903	183,766	102,168	23,133	1,846,219
Additions	8,692	-	-	47,545	31,575	58,707	917	147,436
Disposals	-	-	(7,042)	(10,035)	(14,742)	(5,707)	(456)	(37,982)
Losses on disposal	-	-	-	-	(209)	-	-	(209)
<b>Balance at 31 December 2012</b>	<b>964,451</b>	<b>465,673</b>	<b>25,775</b>	<b>120,413</b>	<b>200,390</b>	<b>155,168</b>	<b>23,594</b>	<b>1,955,464</b>
<b>Depreciation/amortisation</b>								
Balance at 1 January 2012	464,059	-	29,348	42,580	100,093	33,636	5,416	675,132
Charge	21,517	-	1,229	21,314	30,743	12,760	9,121	96,684
Disposals	-	-	(7,042)	(9,971)	(13,747)	(5,707)	(456)	(36,923)
<b>Balance at 31 December 2012</b>	<b>485,576</b>	<b>-</b>	<b>23,535</b>	<b>53,923</b>	<b>117,089</b>	<b>40,689</b>	<b>14,081</b>	<b>734,893</b>
<b>Net book value</b>								
<b>As at 31 December 2012</b>	<b>478,875</b>	<b>465,673</b>	<b>2,240</b>	<b>66,490</b>	<b>83,301</b>	<b>114,479</b>	<b>9,513</b>	<b>1,220,571</b>

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

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### Revalued assets

The Bank has a policy of revaluation of land and buildings. The last appraisal was conducted in 2011 by an independent appraiser. The Bank's management believes there have not been significant changes in market values since 2011 and thus have opted not to perform a valuation in 2013.

### 18 OTHER ASSETS

	2013 KZT'000	2012 KZT'000
<b>Other financial assets recorded as loans and receivables in accordance with IAS 39:</b>		
Accounts receivable	194,884	97,463
Commissions receivable	37,380	4,364
Other	14,612	17,336
Impairment allowance	(98,721)	(97,463)
<b>Total other financial assets</b>	<b>148,155</b>	<b>21,700</b>
<b>Other non-financial assets:</b>		
Advances paid for building	2,250,000	2,250,000
Foreclosed property	1,133,552	94,322
Advances paid for capital expenditures	164,450	6,479
Prepayments of taxes, other than on income	128,296	66,605
Materials and supplies	156,085	10,149
Advances to personnel	716	523
Other advances paid	114,324	92,829
<b>Total other non-financial assets</b>	<b>3,947,423</b>	<b>2,520,907</b>
<b>Total other assets</b>	<b>4,095,578</b>	<b>2,542,607</b>

### Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December 2013 and 2012 are as follows:

	2012 KZT'000	2011 KZT'000
Balance at the beginning of the year	97,463	46,557
Transfer due to reclassification	-	50,058
Exchange difference	1,258	848
<b>Balance at the end of the year</b>	<b>98,721</b>	<b>97,463</b>

### 19 DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 KZT'000	2012 KZT'000
Correspondent accounts	34,452	-
Deposits	6,557	407,981
Long-term loans due to banks and other financial institutions	469,782	195,237
	<b>510,791</b>	<b>603,218</b>

As at 31 December 2013 and 2012 the Bank has deposits and balances from banks and other financial institutions that exceeded 10% of equity.



**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013****20 LOANS UNDER REPURCHASE AGREEMENTS**

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2013 comprise:

	<b>2013</b>	
	<b>KZT'000</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	2,467,168	2,635,228
Shares of JSC "Kazakhtelekom"	243,477	352,893
<b>Total</b>	<b>2,710,645</b>	<b>2,988,121</b>

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2012 comprise:

	<b>2012</b>	
	<b>KZT'000</b>	
	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4,738,403	5,123,724
<b>Total</b>	<b>4,738,403</b>	<b>5,123,724</b>

**21 CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS**

	<b>2013</b>	<b>2012</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Current accounts and demand deposits</b>		
- Governmental institutions	4,272	-
- Corporate customers	13,666,392	9,737,245
- Retail customers	833,466	586,852
<b>Term deposits</b>		
- Corporate customers	26,720,230	22,917,082
- Retail customers	9,861,590	2,451,427
	<b>51,085,950</b>	<b>35,692,606</b>

As at 31 December 2013, the Bank maintained customer deposit balances of KZT 1,637,205 thousand (2012: KZT 419,548 thousand) that serve as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As at 31 December 2013 and 2012, the Bank has five and seven customers, respectively, whose current account and deposit balances exceeded 10% of equity. Cumulative carrying amounts as at 31 December 2013 was KZT 21,695,225 thousand (2012: KZT 17,972,149 thousand).

**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013****22 DEBT SECURITIES ISSUED**

	Currency	Issue date	Maturity date	Coupon rate, %	31 December 2013 KZT'000	31 December 2012 KZT'000
Bonds issued in Kazakhstan	KZT	16.07.2012	16.07.2019	8.0	9,784,148	980,961
Bonds issued in Kazakhstan	KZT	30.09.2013	30.09.2020	8.0	5,194,997	-
Redeemed bonds					(507,700)	-
Accrued interest					454,127	36,663
					<b>14,925,572</b>	<b>1,017,624</b>

**23 OTHER LIABILITIES**

	2013 KZT'000	2012 KZT'000
<b>Other financial liabilities:</b>		
Fund transfer liabilities	182,594	-
Other financial liabilities	76,873	2,833
Payables for services provided	45,745	12,907
Commissions payable	8,215	27,677
<b>Total other financial liabilities</b>	<b>313,427</b>	<b>43,417</b>
<b>Other non-financial liabilities:</b>		
Prepaid commissions	252,501	11,419
Other taxes payable	97,173	18,327
Amount payable to employees	68,387	33,395
Advances received	34,593	6,090
Dividends payable	550	35,212
<b>Total other non-financial liabilities</b>	<b>453,204</b>	<b>104,443</b>
	<b>766,631</b>	<b>147,860</b>

**24 SHARE CAPITAL****Issued capital and share premium**

As at 31 December 2013, the authorised share capital comprised 19,000,000 ordinary shares (2012: 19,000,000 ordinary shares) and issued share capital comprises 16,904,064 ordinary shares (2012: 8,904,064 ordinary shares). During 2013, the Bank has issued ordinary shares for the total amount of KZT 8,000,000 thousand. 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.

**Dividends**

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Kazakhstan. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, reserves available for distribution amounted to KZT 345,481 thousand (2012: KZT 981,427 thousand).

As at 31 December 2013 dividends for amount of KZT 309,639 thousand were declared (as at 31 December 2012 no dividends were declared).



**Reserve for general banking risk**

Reserve for general banking risk is created, as required by the statutory regulations of the Republic of Kazakhstan, for general risks, including future losses and other unforeseen risks or contingencies.

**Special reserves**

As at 31 December 2012, a special provision reflecting the difference between an impairment provision accrued in accordance with IFRS and an impairment provision presented in accordance with requirements of the National Bank of the Republic of Kazakhstan amounted to KZT 1,645,488 thousand.

Due to amendments to the requirements of the National Bank of the Republic of Kazakhstan in 2013, the Bank stopped accruing provisions according to requirements and recognized dynamic provisions. Dynamic provisions allow the Bank recording of non-current expected losses on its loan portfolio. As at 31 December 2013, dynamic provisions amounted to KZT 3,312,707 thousand.

**25 RISK MANAGEMENT**

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

**Risk management policies and procedures**

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

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

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the 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 (the – "ALCO"). In order to facilitate efficient and effective decision-making, the Bank 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.

## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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 optimizing the return on risk.

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

The Bank 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.

#### 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 Bank 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.

#### Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps.

The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes the balances of interest-bearing financial instruments.

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Carrying amount
<b>31 December 2013</b>						
<b>ASSETS</b>						
Cash and cash equivalents	3,760,010	-	-	-	-	3,760,010
Placements with banks and other financial institutions	1,006,523	50,000	913,470	-	30,812	2,000,805
Available-for-sale financial assets	104,954	47,286	21,488	299,426	6,011,290	6,484,444
Loans to customers	4,844,209	11,491,054	11,284,060	23,141,458	18,780,875	69,541,656
	<u>9,715,696</u>	<u>11,588,340</u>	<u>12,219,018</u>	<u>23,440,884</u>	<u>24,822,977</u>	<u>81,786,915</u>
<b>LIABILITIES</b>						
Deposits and balances from banks and other financial institutions	44,033	7,659	43,208	310,383	70,204	475,482
Loans under repurchase agreements	2,710,645	-	-	-	-	2,710,645
Current accounts and deposits from customers	12,262,643	8,245,575	11,093,903	5,853,392	6	37,455,519
Debt securities issued	454,127	-	-	-	14,471,445	14,925,572
	<u>15,431,448</u>	<u>8,293,234</u>	<u>11,137,106</u>	<u>6,163,775</u>	<u>14,541,655</u>	<u>55,567,218</u>
	<u>(5,715,752)</u>	<u>3,295,106</u>	<u>1,081,912</u>	<u>17,277,109</u>	<u>10,281,322</u>	<u>26,219,697</u>



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Carrying amount
<b>31 December 2012</b>						
<b>ASSETS</b>						
Cash and cash equivalents	1,173,193	-	-	-	-	1,173,193
Placements with banks and other financial institutions	-	-	-	-	30,148	30,148
Loans under reverse repurchase agreements	190,698	-	-	-	-	190,698
Available-for-sale financial assets	109,719	43,869	40,624	2,323,091	7,138,422	9,655,725
Loans to customers	4,065,839	5,700,727	5,674,852	15,578,862	5,247,505	36,267,785
	<u>5,539,449</u>	<u>5,744,596</u>	<u>5,715,476</u>	<u>17,901,953</u>	<u>12,416,075</u>	<u>47,317,549</u>
<b>LIABILITIES</b>						
Deposits and balances from banks and other financial institutions	409,748	7,659	17,659	133,646	27,692	596,404
Loans under repurchase agreements	4,738,403	-	-	-	-	4,738,403
Current accounts and deposits from customers	13,294,224	2,715,431	12,383,882	2,130,920	7	30,524,464
Debt securities issued	36,663	-	-	-	980,961	1,017,624
	<u>18,479,038</u>	<u>2,723,090</u>	<u>12,401,541</u>	<u>2,264,566</u>	<u>1,008,660</u>	<u>36,876,895</u>
	<u>(12,939,589)</u>	<u>3,021,506</u>	<u>(6,686,065)</u>	<u>15,637,387</u>	<u>11,407,415</u>	<u>10,440,654</u>

### 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			2012		
	Average effective interest rate, %			Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
<b>Interest bearing assets</b>						
Cash and cash equivalents	-	-	3.5	-	-	3.5
Placements with banks and other financial institutions	8.0	5.7	-	-	-	-
Available-for-sale financial assets	5.6	-	-	5.7	3.9	-
Loans under reverse repurchase agreements	-	-	-	8.2	-	-
Loans to customers	14.6	11.2	14.9	14.9	11.3	-
<b>Interest bearing liabilities</b>						
Deposits and balances from banks and other financial institutions	7.3	-	-	7.1	-	-
Loans under repurchase agreements	6.5	-	-	4.2	-	-
Current accounts and deposits from customers						
- Current accounts	3.3	2.0	-	1.9	-	-
- Term deposits	7.7	4.8	5.4	6.8	3.7	6.0
Debt securities issued	8.5	-	-	8.5	-	-

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### 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 comprehensive income 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 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	26,714	26,714	121,307	121,307
100 bp parallel rise	(26,714)	(26,714)	(121,307)	(121,307)

An analysis of sensitivity of comprehensive income and equity as a result of changes in the fair value of 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 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	-	476,911	-	682,988
100 bp parallel rise	-	(433,000)	-	(617,864)

### Currency risk

The Bank 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 market currency rates. The Bank does not hedge its currency risk exposure.

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	Other currencies KZT'000	Total KZT'000
<b>ASSETS</b>				
Cash and cash equivalents	1,073,748	4,008,288	298,662	5,380,698
Placements with banks and other financial institutions	2,278,974	2,310,492	-	4,589,466
Available-for-sale financial assets	6,842,683	-	-	6,842,683
Derivative financial instruments	-	201,582	-	201,582
Loans to customers	63,426,014	5,382,257	733,385	69,541,656
Other financial assets	100,577	7,582	39,996	148,155
<b>Total assets</b>	<b>73,721,996</b>	<b>11,910,201</b>	<b>1,072,043</b>	<b>86,704,240</b>
<b>LIABILITIES</b>				
Deposits and balances from banks and other financial institutions	504,244	6,547	-	510,791
Loans under repurchase agreements	2,710,645	-	-	2,710,645
Current accounts and deposits from customers	34,800,803	16,080,345	204,802	51,085,950
Derivative financial instruments	-	3,700	-	3,700
Debt securities issued	14,925,572	-	-	14,925,572
Other financial liabilities	232,568	4,099	76,760	313,427
<b>Total liabilities</b>	<b>53,173,832</b>	<b>16,094,691</b>	<b>281,562</b>	<b>69,550,085</b>
<b>Net position as at 31 December 2013</b>	<b>20,548,164</b>	<b>(4,184,490)</b>	<b>790,481</b>	<b>17,154,155</b>



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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

	KZT	USD	Other currencies	Total
	KZT'000	KZT'000	KZT'000	KZT'000
<b>ASSETS</b>				
Cash and cash equivalents	1,789,756	1,676,115	162,094	3,627,965
Placements with banks and other financial institutions	832,915	138,903	-	971,818
Loans under reverse repurchase agreements	190,698	-	-	190,698
Available-for-sale financial assets	8,111,102	1,674,459	-	9,785,561
Derivative financial instruments	-	217,459	-	217,459
Loans to customers	35,849,301	418,484	-	36,267,785
Other financial assets	7,612	9,117	4,971	21,700
<b>Total assets</b>	<b>46,781,384</b>	<b>4,134,537</b>	<b>167,065</b>	<b>51,082,986</b>
<b>LIABILITIES</b>				
Deposits and balances from banks and other financial institutions	596,419	6,799	-	603,218
Loans under repurchase agreements	4,738,403	-	-	4,738,403
Current accounts and deposits from customers	31,706,846	3,839,928	145,832	35,692,606
Debt securities issued	1,017,624	-	-	1,017,624
Other financial liabilities	37,599	5,547	271	43,417
<b>Total liabilities</b>	<b>38,096,891</b>	<b>3,852,274</b>	<b>146,103</b>	<b>42,095,268</b>
<b>Net position as at 31 December 2012</b>	<b>8,684,493</b>	<b>282,263</b>	<b>20,962</b>	<b>8,987,718</b>

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2013 and 2012 would have increased (decreased) equity and comprehensive income by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank 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. 20% is the sensitivity rate used when reporting foreign currency risk internally to the management and represents management's assessment of the possible change in foreign currency exchange rates:

	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%)	(835,906)	(835,906)	28,226	28,226
10% appreciation of other currencies against KZT	79,438	79,438	2,096	2,096

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.

**Credit risk**

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

The credit policy establishes:

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

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

The Bank 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 Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or 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.

**Maximum Exposure**

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitments. The collateral pledged is determined based on its fair value and limited to the outstanding balance of each loan.



## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The maximum exposure to credit risk from financial assets at the reporting dates is as follows.

As at 31 December 2013:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	5,380,698	-	5,380,698	-	5,380,698
Placement with banks and other financial institutions	4,589,466	-	4,589,466	-	4,589,466
Available-for-sale financial assets	6,842,683	-	6,842,683	-	6,842,683
Derivative financial instruments	201,582	-	201,582	-	201,582
Loans to customers	69,541,656	714,768	68,826,888	64,423,566	4,403,322
Other financial assets	148,155	-	148,155	-	148,155
Total financial assets	86,704,240	714,768	85,989,472	64,423,566	21,565,906
Commitments and contingencies	16,013,147	922,436	15,090,711	14,158,098	932,613

As at 31 December 2012:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	3,627,965	-	3,627,965	-	3,627,965
Placement with banks and other financial institutions	971,818	-	971,818	-	971,818
Loans under reverse repurchase agreements	190,698	-	190,698	190,698	-
Available-for-sale financial assets	9,785,561	-	9,785,561	-	9,785,561
Derivative financial instruments	217,459	-	217,459	-	217,459
Loans to customers	36,267,785	114,843	36,152,942	34,507,656	1,645,286
Other financial assets	21,700	-	21,700	-	21,700
Total financial assets	51,082,986	114,843	50,968,143	34,698,354	16,269,789
Commitments and contingencies	6,719,015	304,705	6,414,310	6,401,215	13,095

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

#### Scoring models

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poors, Fitch and Moody's Investors Service. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The following table details the credit ratings of financial assets held by the Bank as at 31 December 2013 and 2012:

	<b>A</b>	<b>BBB</b>	<b>&lt;BBB</b>	<b>Not Rated</b>	<b>2013 KZT'000</b>
Cash and cash equivalents	3,918,267	1,379,749	69,001	13,681	5,380,698
Placements with banks and other financial institutions	1,325,907	1,071,402	218,627	1,973,530	4,589,466
Available-for-sale financial assets	-	6,418,130	66,315	358,238	6,842,683
Derivative financial instruments	-	-	-	201,582	201,582
Loans to customers	-	-	-	69,541,656	69,541,656
Other financial assets	-	-	-	148,155	148,155
	<b>A</b>	<b>BBB</b>	<b>&lt;BBB</b>	<b>Not Rated</b>	<b>2012 KZT'000</b>
Cash and cash equivalents	1,648,817	1,937,940	41,208	-	3,627,965
Placements with banks and other financial institutions	30,148	827,581	108,755	5,334	971,818
Loans under reverse repurchase agreements	-	-	190,698	-	190,698
Available-for-sale financial assets	-	8,741,485	914,240	129,836	9,785,561
Derivative financial instruments	-	-	-	217,459	217,459
Loans to customers	-	-	-	36,267,785	36,267,785
Other financial assets	-	-	390	21,310	21,700

The Bank applies internal rating and scoring methodologies to specific corporate loans and groups of retail and small business loans, which incorporate various underlying master scales that are different from that used by international rating agencies. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers per the statement of financial position. As such, more detailed information is not being presented.

The following table details the carrying value of financial assets before impairment loss that are impaired and the ageing of those that are past due but not impaired.



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

As at 31 December 2013:

	Neither past due nor impaired	Financial assets past due but not impaired				Financial assets impaired on individual and collective basis	Total
		Up to 3 months	3-6 months	6 months to 1 year	Greater than 1 year		
Placements with banks and other financial institutions	4,589,466	-	-	-	-	-	4,589,466
Available-for-sale financial assets	6,842,683	-	-	-	-	-	6,842,683
Derivative financial instruments	2,400	694	-	741	197,747	-	201,582
Loans to customers	47,207,119	3,864,917	518,169	59,736	859,983	17,031,732	69,541,656
Other financial assets	114,768	33,387	-	-	-	-	148,155

As at 31 December 2012:

	Neither past due nor impaired	Financial assets past due but not impaired				Financial assets impaired on individual and collective basis	Total
		Up to 3 months	3-6 months	6 months to 1 year	Greater than 1 year		
Placements with banks and other financial institutions	971,818	-	-	-	-	-	971,818
Loans under reverse repurchase agreements	190,698	-	-	-	-	-	190,698
Available-for-sale financial assets	9,785,561	-	-	-	-	-	9,785,561
Derivative financial instruments	59,791	199	-	93,547	14,144	49,778	217,459
Loans to customers	30,445,503	665,802	53,226	984,713	201,917	4,521,062	36,872,223
Other financial assets	18,987	2,713	-	-	-	-	21,700

### Liquidity risk

Liquidity risk is the risk that the Bank 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 Bank 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 Board of Directors.

The Bank 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.

**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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; and
- 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 draws a respective portfolio of short-term liquid assets, largely made up of short-term liquid securities available for sale, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

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

The following tables show the undiscounted cash flows on financial liabilities and 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 liability or commitment.

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

<b>KZT'000</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 months to 1 year</b>	<b>More than 1 year</b>	<b>Total gross amount</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>						
Deposits and balances from banks and other financial institutions	43,794	17,851	91,985	449,613	603,243	510,791
Loans under repurchase agreements	2,714,895	-	-	-	2,714,895	2,710,645
Current accounts and deposits from customers	20,987,143	4,452,510	20,225,658	7,202,372	52,867,683	51,085,950
Debt securities issued	379,120	213,200	592,320	20,821,045	22,005,685	14,925,572
Other financial liabilities	232,145	17,676	63,606	-	313,427	313,427
<b>Total liabilities</b>	<b>24,357,097</b>	<b>4,701,237</b>	<b>20,973,569</b>	<b>28,473,030</b>	<b>78,504,933</b>	<b>69,546,385</b>
<b>Credit related commitments</b>	<b>16,013,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,013,147</b>	<b>16,013,147</b>



**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

<b>KZT'000</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 months to 1 year</b>	<b>More than 1 year</b>	<b>Total gross amount</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>						
Deposits and balances from banks and other financial institutions	5,532	409,743	35,276	197,635	648,186	603,218
Loans under repurchase agreements	4,741,178	-	-	-	4,741,178	4,738,403
Current accounts and deposits from customers	6,818,455	6,344,385	20,715,149	2,957,325	36,835,304	35,692,606
Debt securities issued	40,240	-	40,240	1,488,880	1,569,360	1,017,624
Other financial liabilities	37,185	4,060	54	2,118	43,417	43,417
<b>Total liabilities</b>	<b>11,642,580</b>	<b>6,758,188</b>	<b>20,790,719</b>	<b>4,645,958</b>	<b>43,837,445</b>	<b>42,095,268</b>
<b>Credit related commitments</b>	<b>6,719,015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,719,015</b>	<b>6,719,015</b>

The tables above show the 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, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The table below shows an analysis, by expected maturities, of the amounts recognised in the 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	Total
Cash and cash equivalents	5,380,698	-	-	-	-	-	5,380,698
Placements with banks and other financial institutions	209,634	1,000,000	2,058,991	-	249,439	1,071,402	4,589,466
Available-for-sale financial assets	-	104,954	68,774	299,426	6,011,290	358,239	6,842,683
Derivative financial instruments	2,400	-	693	4,397	194,092	-	201,582
Loans to customers	3,527,008	1,317,201	22,775,114	23,141,458	18,780,875	-	69,541,656
Other financial assets	148,155	-	-	-	-	-	148,155
<b>Total financial assets</b>	<b>9,267,895</b>	<b>2,422,155</b>	<b>24,903,572</b>	<b>23,445,281</b>	<b>25,235,696</b>	<b>1,429,641</b>	<b>86,704,240</b>
Deposits and balances from banks and other financial institutions	43,794	17,851	68,559	310,383	70,204	-	510,791
Loans under repurchase agreements	2,710,645	-	-	-	-	-	2,710,645
Current accounts and deposits from customers	20,790,940	4,136,104	19,482,102	6,676,798	6	-	51,085,950
Derivative financial instruments	3,700	-	-	-	-	-	3,700
Debt securities issued	347,527	106,600	-	-	14,471,445	-	14,925,572
Other financial liabilities	232,145	17,676	63,606	-	-	-	313,427
<b>Total financial liabilities</b>	<b>24,128,751</b>	<b>4,278,231</b>	<b>19,614,267</b>	<b>6,987,181</b>	<b>14,541,655</b>	<b>-</b>	<b>69,550,085</b>
<b>Net position</b>	<b>(14,860,856)</b>	<b>(1,856,076)</b>	<b>5,289,305</b>	<b>16,458,100</b>	<b>10,694,041</b>	<b>1,429,641</b>	<b>17,154,155</b>

Liquidity gap from demand and less than 1 month and from 1 to 3 months is negative. Based on prior experience, the Bank considers it highly unlikely that all current accounts and deposits from customers will seek repayment on maturity. Historically the maturities for majority of such current accounts and deposits are rolled over by customers.



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

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

	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	Total
KZT'000							
Cash and cash equivalents	3,627,965	-	-	-	-	-	3,627,965
Placements with banks and other financial institutions	5,334	-	-	-	138,903	827,581	971,818
Loans under reverse repurchase agreements	190,698	-	-	-	-	-	190,698
Available-for-sale financial assets	-	109,719	84,493	2,323,091	7,138,422	129,836	9,785,561
Derivative financial instruments	-	17	14,335	8,619	194,488	-	217,459
Loans to customers	2,332,965	1,732,874	11,375,579	15,578,862	5,247,505	-	36,267,785
Other financial assets	21,700	-	-	-	-	-	21,700
<b>Total financial assets</b>	<b>6,178,662</b>	<b>1,842,610</b>	<b>11,474,407</b>	<b>17,910,572</b>	<b>12,719,318</b>	<b>957,417</b>	<b>51,082,986</b>
Deposits and balances from banks and other financial institutions	5,532	405,000	25,318	133,646	33,722	-	603,218
Loans under repurchase agreements	4,738,403	-	-	-	-	-	4,738,403
Current accounts and deposits from customers	12,187,986	6,077,854	15,102,773	2,323,986	7	-	35,692,606
Debt securities issued	36,663	-	-	-	980,961	-	1,017,624
Other financial liabilities	37,185	4,060	54	2,118	-	-	43,417
<b>Total financial liabilities</b>	<b>17,005,769</b>	<b>6,486,914</b>	<b>15,128,145</b>	<b>2,459,750</b>	<b>1,014,690</b>	<b>-</b>	<b>42,095,268</b>
<b>Net position</b>	<b>(10,827,107)</b>	<b>(4,644,304)</b>	<b>(3,653,738)</b>	<b>15,450,822</b>	<b>11,704,628</b>	<b>957,417</b>	<b>8,987,718</b>

**26 CAPITAL MANAGEMENT**

The Bank manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The adequacy of the Banks' capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the National Bank of Republic of Kazakhstan in supervising the Bank.

During 2013, the Bank had complied in full with all its externally imposed capital requirements.

The capital structure of the Bank consists of equity comprising issued capital, reserves and retained earnings as disclosed in statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Bank balances its overall capital structure through new share issues.

The Bank's overall capital management policy remains unchanged from 2012. The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basle Committee:

	2013 KZT'000	2012 KZT'000
<b>Composition of regulatory capital:</b>		
Share capital	16,904,064	8,904,064
Share premium	2,333	2,333
Reserves for general banking risks, special reserves and retained earnings	3,928,198	2,896,925
Less: Dynamic reserve (Note 24)	(3,312,707)	-
<b>Total qualifying tier 1 capital</b>	<b>17,521,888</b>	<b>11,803,322</b>
<b>Tier 2 capital</b>		
Revaluation reserve of buildings and land	646,304	650,427
Financial assets available-for-sale fair value reserve	(142,940)	(203,819)
Dynamic reserve not exceeding 1.25% of risk weighted assets	1,161,517	-
<b>Total regulatory capital</b>	<b>19,186,769</b>	<b>12,249,930</b>
<b>Risk weighted assets</b>	<b>92,921,331</b>	<b>41,820,289</b>
<b>Tier 1 capital ratio</b>	<b>19%</b>	<b>28%</b>
<b>Total capital adequacy ratio</b>	<b>21%</b>	<b>29%</b>

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.



**27 COMMITMENTS**

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and overdraft facilities.

The Bank 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 Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Bank 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.

	<b>2013</b> <b>KZT'000</b>	<b>2012</b> <b>KZT'000</b>
<b>Contracted amount</b>		
Guarantees	9,270,249	2,493,578
Loan and credit line commitments	6,847,989	4,330,528
Provisions on contingencies	(105,091)	(105,091)
	<b>16,013,147</b>	<b>6,719,015</b>

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

**28 CONTINGENCIES****Insurance**

The Bank 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 Bank 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.

**Litigation**

In the ordinary course of business, the Bank 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.

**Taxes**

Commercial legislation of the Republic of Kazakhstan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The Management of the Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

### Operating Environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

## 29 RELATED PARTY TRANSACTIONS

### Control relationships

At 31 December 2013, the shareholders of the Bank comprise 6 (2012: 10 individuals). The party with ultimate control over the Bank is Sultan Nurbol Sarybayuly.

### Transactions with the members of the Board of Directors and the Management Board

The outstanding balances and average interest rate as at 31 December 2013 and 2012 with the members of the Board of Directors and the Management Board were as follows:

	2013 KZT'000	Average interest rate, %	2012 KZT'000	Average interest rate, %
<b>Statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	34,782	12.0%	-	-
Current accounts and deposits from customers	5,328	9.5%	4,559	-

Loans were extended in tenge and are repayable before 2033.

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

	2013 KZT'000	2012 KZT'000
Short term employee benefits	253,647	132,142

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

Amounts included in the statement of comprehensive income in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	2013 KZT'000	2012 KZT'000
<b>Comprehensive income</b>		
Interest income	2,478	1,201
Interest expense	144	-



## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

#### Transactions with other related parties

Other related parties include close members of the family of key management personnel and shareholders.

The outstanding balances and average interest rate as at 31 December 2013 and 2012 with the other related parties were as follows:

	2013 KZT'000	Average interest rate, %	2012 KZT'000	Average interest rate, %
<b>Statement of financial position</b>				
<b>ASSETS</b>				
Loans to customers	467,797	12.1%	94,018	15.8%
Guarantees	262,500	-	271,139	-
Other assets	2,196	-	2,196	-
Current accounts and deposits from customers	2,196	-	1,117,207	7.1%

The loans and guarantees are in Kazakhstan tenge and repayable by 2016.

Amounts included in comprehensive income in relation to transactions with other related parties for the year ended 31 December are as follows:

	2013 KZT'000	2012 KZT'000
<b>Comprehensive income</b>		
Interest income	35,574	18,689
Interest expenses	50,148	37,241

#### 30 GEOGRAPHICAL CONCENTRATION

As at 31 December 2013 and 2012, a significant part of financial assets 94% and all financial liabilities are concentrated in Kazakhstan, which represents a significant geographical concentration.

#### 31 SEGMENT ANALYSIS

For the management purposes the Bank identifies three major reportable segments:

**Services to legal entities** – provision of services to legal entities different banking products and services, including payments and money transfers, credit and documentary transactions, deposits, foreign currency transactions, and also advanced banking technologies which allows remote servicing of the customers;

**Services to individuals** – provision of services to individuals including current account management, deposit taking, origination of retail and mortgage loans, and also services on cash and foreign currency transactions;

**Investment activity** – financial instruments proprietary trading, structural financing.

# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The management monitors the operating activity results separately in each segment to make decisions on resources allocation and evaluation of segment performance. Segment activity results determination differs from financial statements disclosure, as presented below. Income taxes are assessed on aggregated basis and are not allocated to any operating segments. Unallocated operating income and expenses in cases when the Bank cannot allocate them reasonably and precisely.

2013	Services to legal entities	Services to individuals	Investment activity	Unallocated	Total
Interest income	5,666,326	1,586,422	728,244	-	7,980,992
Interest expense	(1,845,513)	(652,367)	(818,002)	-	(3,315,882)
<b>Net interest income</b>	<b>3,820,813</b>	<b>934,055</b>	<b>(89,758)</b>	<b>-</b>	<b>4,665,110</b>
Commission income	773,220	112,540	18,898	-	904,658
Commission expense	(58,828)	(358,136)	(8,673)	-	(425,637)
<b>Net commission income</b>	<b>714,392</b>	<b>(245,596)</b>	<b>10,225</b>	<b>-</b>	<b>479,021</b>
Net loss on derivative financial instruments	-	-	(57,309)	-	(57,309)
Net foreign exchange gain	45,526	34,403	174,431	-	254,360
Net realized loss on available- for-sale financial assets	-	-	(16,327)	-	(16,327)
Other operating (expenses)/income	(35,116)	17,536	37,652	-	20,072
<b>Operating income</b>	<b>4,545,615</b>	<b>740,398</b>	<b>58,914</b>	<b>-</b>	<b>5,344,927</b>
Impairment losses	(358,758)	(73,715)	-	-	(432,473)
Personnel expenses	-	-	-	(1,758,680)	(1,758,680)
Other general administrative expenses	(350,763)	(49,613)	(1,120)	(857,208)	(1,258,704)
<b>Profit/(loss) before income tax</b>	<b>3,836,094</b>	<b>617,070</b>	<b>57,794</b>	<b>(2,615,888)</b>	<b>1,895,070</b>
Segment assets	54,937,832	18,773,081	15,522,101	3,011,353	92,244,367
Segment liabilities	40,867,303	10,736,750	18,338,766	963,589	70,906,408
<b>Other segment items</b>					
Depreciation and amortization charge on property and equipment and intangible assets	-	-	-	(147,817)	(147,817)
Capital expenditure	-	-	-	(663,117)	(663,117)



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

2012	Services to legal entities	Services to individuals	Investment activity	Unallocated	Total
Interest income	2,826,796	739,966	333,703	-	3,900,465
Interest expense	(759,652)	(369,018)	(74,595)	-	(1,203,265)
<b>Net interest income</b>	<b>2,067,144</b>	<b>370,948</b>	<b>259,108</b>	<b>-</b>	<b>2,697,200</b>
Commission income	305,929	66,090	638	-	372,657
Commission expense	(22,843)	(195,297)	(26,090)	-	(244,230)
<b>Net commission income/(loss)</b>	<b>283,086</b>	<b>(129,207)</b>	<b>(25,452)</b>	<b>-</b>	<b>128,427</b>
Net gain on derivative financial instruments	-	-	8,744	-	8,744
Net foreign exchange gain/(loss)	50,202	9,182	(3,987)	-	55,397
Net realized gain on available- for-sale financial assets	-	-	300,108	-	300,108
Other operating income	1,142	387	-	-	1,529
<b>Operating income</b>	<b>2,401,574</b>	<b>251,310</b>	<b>538,521</b>	<b>-</b>	<b>3,191,405</b>
Impairment losses	(204,522)	(148,462)	-	-	(352,984)
Personnel expenses	-	-	-	(988,168)	(988,168)
Other general administrative expenses	(145,170)	(53,975)	(4,041)	(514,859)	(718,045)
<b>Profit/(loss) before income tax</b>	<b>2,051,882</b>	<b>48,873</b>	<b>534,480</b>	<b>(1,503,027)</b>	<b>1,132,208</b>
Segment assets	30,470,466	8,422,053	14,576,305	1,396,019	54,864,843
Segment liabilities	32,783,668	3,103,781	6,365,178	362,286	42,614,913
<b>Other segment items</b>					
Depreciation and amortization charge on property and equipment and intangible assets	-	-	-	(96,684)	(96,684)
Capital expenditure	-	-	-	(2,397,436)	(2,397,436)

## 32 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

### 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 and 2012:

KZT'000	2013 KZT'000		2012 KZT'000	
	Carrying value	Fair Value	Carrying value	Fair Value
Cash and cash equivalents	5,380,698	5,380,698	3,627,965	3,627,965
Placements with banks and other financial institutions	4,589,466	4,589,466	971,818	971,818
Loans under reverse repurchase agreement	-	-	190,698	190,698
Available-for-sale financial assets	6,842,683	6,842,683	9,785,561	9,785,561
Derivative financial instruments	201,582	201,582	217,459	217,459
Loans customers	69,541,656	72,544,133	36,267,785	36,688,314
Other financial assets	148,155	148,155	21,700	21,700
	<b>86,704,240</b>	<b>89,706,717</b>	<b>51,082,986</b>	<b>51,503,515</b>

**JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2013**

KZT'000	2013 KZT'000		2012 KZT'000	
	Carrying value	Fair Value	Carrying value	Fair Value
Deposits and balances from banks and other financial institutions	510,791	510,791	603,218	603,218
Loans under repurchase agreements	2,710,645	2,988,120	4,738,403	5,123,724
Current accounts and deposits from customers	51,085,950	51,516,641	35,692,606	35,981,128
Derivative financial instruments	3,700	3,700	-	-
Debt securities issued	14,925,572	14,599,331	1,017,624	1,005,883
Other financial liabilities	313,427	313,427	43,417	43,417
	<b>69,550,085</b>	<b>69,932,010</b>	<b>42,095,268</b>	<b>42,757,370</b>

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

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. 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 value hierarchy**

The Bank measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, 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 identical or 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: Valuation techniques using significant unobservable inputs. 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.



# JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash and cash equivalents	-	5,380,698	-	5,380,698
Placements with banks and other financial institutions	-	4,589,466	-	4,589,466
Available-for-sale financial assets	6,842,483	-	-	6,842,483
Derivative financial instruments	-	-	201,582	201,582
Loans customers	-	72,544,133	-	72,544,133
Other financial assets	-	148,155	-	148,155
<b>Total financial assets</b>	<b>6,842,483</b>	<b>82,662,452</b>	<b>201,582</b>	<b>89,706,517</b>
<b>Financial liabilities:</b>				
Deposits and balances from banks and other financial institutions	-	510,791	-	510,791
Loans under repurchase agreements	-	2,988,120	-	2,988,120
Current accounts and deposits from customers	-	51,516,641	-	51,516,641
Derivative financial instruments	-	-	3,700	3,700
Debt securities issued	14,599,331	-	-	14,599,331
Other financial liabilities	-	313,427	-	313,427
<b>Total financial liabilities</b>	<b>14,599,331</b>	<b>55,328,979</b>	<b>3,700</b>	<b>69,932,010</b>

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash and cash equivalents	-	3,627,965	-	3,627,965
Placements with banks and other financial institutions	-	971,818	-	971,818
Loans under reverse repurchase agreement	-	190,698	-	190,698
Available-for-sale financial assets	9,785,361	-	-	9,785,361
Derivative financial instruments	-	-	217,459	217,459
Loans customers	-	36,688,314	-	36,688,314
Other financial assets	-	21,700	-	21,700
<b>Total financial assets</b>	<b>9,785,361</b>	<b>41,500,495</b>	<b>217,459</b>	<b>51,503,315</b>
<b>Financial liabilities:</b>				
Deposits and balances from banks and other financial institutions	-	603,218	-	603,218
Loans under repurchase agreements	-	5,123,724	-	5,123,724
Current accounts and deposits from customers	-	35,981,128	-	35,981,128
Debt securities issued	1,005,883	-	-	1,005,883
Other financial liabilities	-	43,417	-	43,417
<b>Total financial liabilities</b>	<b>1,005,883</b>	<b>41,751,487</b>	<b>-</b>	<b>42,757,370</b>

As disclosed in Note 15, as at 31 December 2013 and 2012 the fair value of unquoted equity securities with a carrying value of KZT 200 thousand could not be determined and were carried at cost.

## JSC ASIACREDIT BANK (АЗИЯКРЕДИТ БАНК)

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

Derivative financial instruments are classified into Level 3 category because Bank determines fair value using valuation techniques. The valuation technique is represented by Black-Scholes option pricing model (refer note 16(e)). Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates 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 in an arm's length.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2013 KZT'000	2012 KZT'000
Balance as at 1 January	217,459	242,175
Total gains or losses recognized in the statement of comprehensive income	(5,103)	(13,535)
Settlement	(13,174)	(11,181)
<b>Balance as at 31 December</b>	<b>199,182</b>	<b>217,459</b>

### 31 SUBSEQUENT EVENTS

On 22 January 2014, the Bank has paid coupon on the first issuance of debt securities under its first bond program in the amount of KZT 379,120 thousand.

On 31 January 2014, the Bank has issued new debt securities within a second issuance under the first bond program on the Kazakhstan Stock Exchange with an 8.5% yield in the amount of KZT 801,143 thousand.

On 11 February 2014, the National Bank of the Republic of Kazakhstan made a decision to temporarily reduce its intervention in setting the KZT exchange rate. As a result, the official exchange rate of KZT to U.S. dollar fell to KZT 184.55 per U.S. dollar as at 12 February 2014, i.e. by approximately 19%. To prevent the destabilization of the financial market and economy as a whole, the National Bank of the Republic of Kazakhstan has set an exchange corridor for the KZT against the U.S. dollar at KZT 182-188 per U.S. dollar.

The management of the Bank believes that it has taken appropriate measures to support the sustainability of the Bank business under the current circumstances. However, a possible further decrease in the KZT exchange rate could negatively affect the results and financial position of the Bank in a manner not currently determinable.