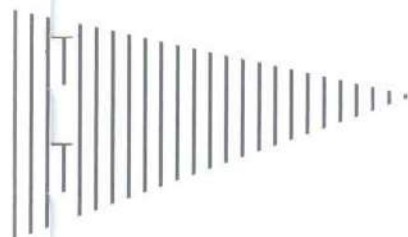


**Joint Stock Company
Agrarian Credit Corporation**

Financial Statements

for 2013 together with Independent auditors' report



EY

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INDEPENDENT AUDITORS' REPORT

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Independent auditors' report

To the Shareholder and Board of Directors of Agrarian Credit Corporation JSC -

We have audited the accompanying separate financial statements of Agrarian Credit Corporation JSC, which comprise the statement of financial position as at 31 December 2013, and the income statement, statements of comprehensive income, of changes in equity and of cash flows for the year ended, and a summary separate statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 auditor's 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 auditor considers 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 Agrarian Credit Corporation JSC as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP



Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP



State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor qualification certificate No. 0000553 dated 24 December 2003

26 March 2014

Statement of financial position**At 31 December 2013***(in thousands of Tenge)*

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Assets			
Cash and cash equivalents	5	1.292.649	2.172.664
Amounts due from credit institutions	6	8.493.015	–
Derivative financial instruments	7	–	245.796
Loans to customers	8	113.210.190	82.061.146
Assets held for sale	9	73.931	89.812
Property and equipment	10	176.234	171.010
Investment property	10	80.614	86.628
Intangible assets	11	216.742	252.564
Current income tax assets	17	382.045	359.787
Deferred income tax assets	17	819.229	819.780
Other assets	12	1.023.437	223.763
Total assets		125.768.086	86.482.950
Liabilities			
Amounts due to credit institutions	13	3.012.375	2.369.301
Amounts due to the Shareholder	14	47.536.685	15.111.020
Debt securities issued	15	5.911.490	3.913.890
Amounts due to government-related entities		86.868	111.988
Short-term estimated liabilities		98.796	103.266
Other liabilities	16	119.139	62.304
Total liabilities		56.765.353	21.671.769
Equity			
Share capital	18	74.227.371	69.349.371
Additional paid-in capital		4.296.627	4.190.171
Reserve capital		992.725	702.348
Deemed distribution reserve		(6.320.292)	(5.186.531)
Accumulated deficit		(4.193.698)	(4.244.178)
Total equity		69.002.733	64.811.181
Total liabilities and equity		125.768.086	86.482.950

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

26 March 2014

Income statement**For the year ended 31 December 2013***(Thousands of Tenge)*

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Interest income			
Loans to customers		7.202.725	5.671.013
Cash and cash equivalents		232.638	504.806
		<u>7.435.363</u>	<u>6.175.819</u>
Interest expense			
Amounts due to the Shareholder		(1.029.870)	(1.071.792)
Amounts due to credit institutions		(78.108)	(605.415)
Debt securities issued		(333.156)	(254.359)
Amounts due to government-related entities		(6.858)	(9.394)
		<u>(1.447.992)</u>	<u>(1.940.960)</u>
Net interest income		<u>5.987.371</u>	<u>4.234.859</u>
Loan impairment charge	8	<u>(3.063.632)</u>	<u>(2.409.077)</u>
Net interest income after loan impairment charge		<u>2.923.739</u>	<u>1.825.782</u>
Net (losses) /gains on derivative financial instruments	7	(113.555)	647.401
Net income/(losses) from foreign currencies		11.766	(41.702)
Other income		13.170	18.399
Non-interest (loss)/income		<u>(88.619)</u>	<u>624.098</u>
Personnel expenses	20	(1.364.992)	(1.219.289)
Other operating expenses	20	(775.102)	(653.389)
Impairment of assets held for sale	9	-	(5.300)
Non-interest expense		<u>(2.140.094)</u>	<u>(1.877.978)</u>
Profit before income tax expense		<u>695.026</u>	<u>571.902</u>
Income tax expense	17	(257.377)	(184.733)
Profit for the year		<u>437.649</u>	<u>387.169</u>

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich



Chairman of the Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

26 March 2014

STATEMENT OF COMPREHENSIVE INCOME**Year ended 31 December 2013***(Thousands of Tenge)*

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Profit for the year		<u>437,649</u>	<u>387,169</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>437,649</u>	<u>387,169</u>

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich



Chairman of the Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

26 March 2014

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2013***(Thousands of Tenge)*

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Reserve capital</i>	<i>Deemed distribution reserve</i>	<i>Accumu- lated deficit</i>	<i>Total</i>
As at 31 December 2011	65,349,371	3,904,973	533,203	(4,655,348)	(4,462,202)	60,669,997
Total comprehensive income for the year	-	-	-	-	387,169	387,169
Recognition of additional paid-in capital from initial recognition of loans from the Shareholder (Note 18)	-	285,198	-	-	-	285,198
Deemed distribution reserve (Note 18)	-	-	-	(531,183)	-	(531,183)
Increase in share capital (Note 18)	4,000,000	-	-	-	-	4,000,000
Increase in reserve capital (Note 18)	-	-	169,145	-	(169,145)	-
At 31 December 2012	69,349,371	4,190,171	702,348	(5,186,531)	(4,244,178)	64,811,181
Total comprehensive income for the year	-	-	-	-	437,649	437,649
Recognition of additional paid-in capital from initial recognition of loans from the Shareholder (Note 18)	-	106,456	-	-	-	106,456
Deemed distribution reserve (Note 18)	-	-	-	(1,133,761)	-	(1,133,761)
Increase in share capital (Note 18)	4,878,000	-	-	-	-	4,878,000
Dividends paid (Note 18)	-	-	-	-	(96,792)	(96,792)
Increase in reserve capital (Note 18)	-	-	290,377	-	(290,377)	-
At 31 December 2013	74,227,371	4,296,627	992,725	(6,320,292)	(4,193,698)	69,002,733

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Board

Zaitullayeva Irina Nikolayevna

Chief Accountant



26 March 2014

STATEMENT OF CASH FLOWS**Year ended 31 December 2013***(Thousands of Tenge)*

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
Cash flows from operating activities			
Interest received		5,556,407	5,552,271
Interest paid		(741,681)	(1,215,303)
Realised gain on derivative financial instruments	7	119,908	464,566
Realised gain / (losses) from translations with foreign currencies		15,047	(7,527)
Personnel expenses paid		(1,016,222)	(1,195,269)
Operating expenses paid		(562,831)	(532,824)
Cash flows from operating activities before changes in operating assets and liabilities		3,370,628	3,065,914
<i>Net (increase)/decrease in operating assets</i>			
Loans to customers		(34,527,209)	(3,513,891)
Other assets		(156,051)	(172,163)
Due from credit institutions		(8,493,015)	-
<i>Net (decrease)/increase in operating liabilities</i>			
Amounts due to government-related entities		(31,140)	(31,140)
Other liabilities		(156,792)	(31,309)
Net cash flows used in operating activities before income tax		(39,993,579)	(682,589)
Income tax paid		(22,258)	(88,358)
Net cash used in operating activities		(40,015,837)	(770,947)
Cash flows from investing activities			
Proceeds from disposal of assets held for sale	9	15,881	72,554
Sale of property and equipment		4,039	-
Purchase of property and equipment		(39,911)	(60,142)
Purchase of intangible assets		(8,924)	(12,732)
Net cash used in investing activities		(28,915)	(320)
Cash flows from financing activities			
Proceeds from issue of share capital	18	4,878,000	4,000,000
Proceeds from amounts due to credit institutions		4,000,000	-
Redemption of amounts due to credit institutions		(3,411,000)	(4,486,175)
Proceeds from amounts due to a Shareholder		75,380,199	31,829,697
Redemption of amounts due to a Shareholder		(43,557,655)	(31,988,364)
Proceeds from debt securities issued		1,985,896	3,840,405
Redemption of debt securities repurchased		(13,911)	(5,374,992)
Dividends paid	18	(96,792)	-
Net cash flows from financing activities		39,164,737	(2,179,429)
Net (decrease) / increase in cash and cash equivalents		(880,015)	(2,950,696)
Cash and cash equivalents, beginning	5	2,172,664	5,123,360
Cash and cash equivalents, ending	5	1,292,649	2,172,664

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

26 arch 2014



(Thousands of Tenge, unless otherwise indicated)

1. Principal activities

Agrarian Credit Corporation JSC (the “Corporation”) was established by the Decree of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 “On certain agricultural issues” in the form of a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Corporation performs its activities on the basis of a license issued by the Committee on Regulation and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (the “Committee”) for conducting operations specified by the banking legislation of the Republic of Kazakhstan No. 24 dated 3 February 2006. Additionally, the Corporation has a status of a financial agency assigned by the resolution of the Management Board of the Committee of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations dated 30 July 2005 No. 274.

The Corporation’s principal activities are:

- participation in the development and implementation of state programs of lending and providing financial support to agricultural producers;
- attraction of domestic and foreign investments for realization of projects in agricultural sector;
- development and realization of projects in agricultural sector;
- realization of collateral and agricultural products received for repayment of loans originated;
- performing bank borrowing operations based on appropriate license;
- leasing activities;
- other types of activities that are not prohibited by enactments, that serve the purposes and objectives of the Corporation and provided by the Charter.

The address of the Corporation’s registered office is: 11 Imanov Street, Astana, Republic of Kazakhstan.

The sole shareholder of the Corporation is JSC National Management Holding “KazAgro” (“KazAgro” or “Shareholder”). The ultimate controlling party is the Government of the Republic of Kazakhstan.

As at 31 December 2013 and 2012 the Corporation has 13 registered branches throughout the Republic of Kazakhstan.

2. Basis of preparation

General

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

The financial statements have been prepared under the historical cost convention except for those disclosed in section “Summary of significant accounting policies”. For example, derivative financial instruments are carried at fair value, assets held for sale are carried at the lower of the carrying amount or fair value less cost of sales.

These financial statements are presented in thousands of Kazakhstani Tenge (“Tenge” or “KZT”), except per share amounts and unless otherwise stated.

Changes in accounting policies

Since 1 January 2013 the Corporation has adopted the following amended IFRS during the year.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS, when use of fair value is required or permitted in accordance with other standards within IFRS. Application of IFRS 13 did not have a significant impact on the fair value measurement determined by the Corporation.

(Thousands of Tenge, unless otherwise indicated)

2. Basis of preparation (continued)

Changes in accounting policy (continued)

IFRS 13 Fair Value Measurement (continued)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these requirements to disclosures of financial instruments under IAS 34.16A(j) apply to the financial statements. The Corporation has disclosed information on fair value of financial instruments in Note 21. Application of IFRS 13 did not have a significant impact on the fair value measurement determined by the Corporation.

IAS 19 Employee Benefits (Amendment)

The IASB issued amendments to IAS 19 that become effective for annual reporting periods beginning on or after 1 January 2013. The amendments make significant changes in accounting for employee benefits, in particular it removes the possibility of deferred recognition in plan assets and liabilities (corridor mechanism). In addition, these amendments limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. This amendment did not have any impact on the financial position or performance of the Corporation.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains requirements that are applied to shares of an entity's participation in subsidiaries, joint venture, associates and structured companies. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. The Corporation has no subsidiaries with material non-controlling interests as well as unconsolidated structured entities.

IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)

The amendment to IAS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Corporation's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendment affects presentation only and has no impact on the Corporation's financial position or performance.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

According to these amendments, entities are obliged to disclose rights to set-off and respective agreements (for example, collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. This amendment did not have any impact on the financial position or performance of the Corporation.

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies

Financial assets

Initial recognition

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

Date of recognition

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

Day 1' profit

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

Loans to customers

Loans to customers represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for assets that are classified into other categories of financial instruments.

Loans provided by the Corporation are initially recorded at fair value plus transaction costs. When the Corporation accepts a credit commitment to provide loans to customers at below market rates, a liability at fair value of these credit commitments is recorded in other liabilities in the statement of financial position together with reversing entry, which is included in income statement if the decision to undertake the obligation was adopted by the Corporation's management; or as deemed distribution to the controlling Shareholder, if the decision was adopted in accordance with controlling Shareholder's instructions.

Subsequently, credit commitment is adjusted to fair value through profit and loss before granting a loan, when credit commitment is reduced by consideration paid, and remaining balance is recorded as loans issued to customers in the statement of financial position. As a result, loans to customers are initially recognized at fair value in the statement of financial position, and subsequently these loans are recorded at amortized cost, using the effective interest rate. Loans to customers are carried net of any allowances for impairment.

Determination of fair value

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

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

Offsetting

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

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash not restricted in use on current and term deposit accounts with maturity not more than 90 days as the day of the asset origination.

Derivative financial instruments

In the normal course of business, the Corporation enters into various derivative financial instruments, including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses from these instruments are included in the income statement within net gains/(losses) on transactions with trading securities or net gains/(losses) from foreign currencies dealing, depending on the nature of the financial instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the income statement.

Borrowings

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

Operating lease - Corporation as lessee

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

Impairment of financial assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Corporation first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced current amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

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

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

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

Restructuring of loans

Where possible, the Corporation seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

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

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

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Taxation

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Corporation is in substantial compliance with the tax laws regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The current values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the current value may not be recoverable.

*(Thousands of Tenge, unless otherwise indicated)***3. Summary of accounting policies (continued)****Property and equipment (continued)**

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis according to the following annual rates based on the estimated useful lives:

Buildings	4.5%
Computers and office equipment	10%-20%
Motor vehicles	10%
Other	7%-10%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each reporting year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Investment property

Investment property is intended to earn rentals or capital appreciation, and which is not used by the Corporation as fixed assets.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition investment properties are stated at cost less accumulated depreciation. Investment property is depreciated on a straight-line basis over the period of useful life.

Investment properties are derecognised when either they have been disposed of or the investment property is permanently withdrawn from use and no future economic benefit expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers to and from investment properties are made only when there is a change in use. For a transfer from investment property to owner occupied property, the carrying amount is not changed because the Corporation uses the model of cost accounting for both categories: investment property and owner occupied property.

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite and amortised over the useful economic lives of 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Intangible assets	10%-100%
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Assets classified as held for sale

The Corporation classifies non-current assets as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

The sale qualifies as highly probable if the Corporation's management is committed to a plan to sell the non-current asset. An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

The Corporation measures an asset classified as held for sale at the lower of its current amount and fair value less costs to sell. The Corporation recognises an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell if events or changes in circumstance indicate that their current amount may be impaired.

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Share capital

Contributions to share capital are recognized at historic cost, less direct issuance costs.

Dividends

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

Deemed distribution reserve

When the Corporation enters into a loan agreement at below market rates on behalf of the Shareholder, the fair value of credit commitment is recognized as allowance for notional distribution as deemed payment to the Shareholder.

Additional paid-in capital

When the Corporation receives loans or other financial support from a Shareholder at below market rates, the difference between received cash consideration and fair value of loans or other financial support is recorded as additional capital.

Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingencies

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

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. In order revenue is recognised, the following specific recognition criteria must also be met:

Interest and similar income and expenses

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

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

Fee and commission income

The Corporation earns fee and commission income from a diverse range of services it provides to its customers.

Loan commitment fees are deferred together with any direct costs and recognised as an adjustment to the effective interest rate on the loan. If there is a possibility that due to loan commitment a credit arrangement will be signed, loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently is reflected as an adjustment of actual proceeds from a loan. When the probability to enter into credit arrangement under loan commitments is remote, loan commitment fees are recognised in the income statement during the remaining validity period of loan commitment.

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Fee and commission income (continued)

Upon expiration of loan commitment validity period, which is not resulted in loan issuance, loan commitment fees are recognised in the income statement on its expiration date. Other commissions are recognized upon rendering of services.

Foreign currency translation

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

The difference between the contractual exchange rate of a transaction in a foreign currency and the official exchange rate at Kazakhstan Stock Exchange at the date of the transaction are included in gains less losses from dealing in foreign currencies. Below are the exchange rates used by the Corporation in preparation of these financial statements:

	<i>31 December</i>	
	<i>2013</i>	<i>2012</i>
KZT/USD	153.61	150.74
KZT/EURO	211.17	199.22
KZT/RUR	4.69	4.96

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects two of the three phases of the IASB project on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities and hedge accounting. The standard has no mandatory effective date and may be applied voluntarily. The adoption of IFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets, but will not have an impact on classification and measurements of the Corporation's financial liabilities. The Corporation will quantify the effect when the remaining part of the standard containing guidance on impairment of financial assets is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and LAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Corporation, since none of the entities in the Corporation does not qualify to be an investment entity under IFRS 10.

LAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to LAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments becomes effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to have an impact on the Corporation.

IFRIC 21 Obligatory payments

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Corporation does not expect that IFRIC 21 will have a material impact on its financial statements.

(Thousands of Tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 39 Novation of derivative instruments and continuation of hedging accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments become effective for annual periods beginning on or after 1 January 2014. The Corporation has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

4. Significant accounting judgements and estimates

Estimation uncertainty

The most significant use of judgements and estimates, in determining the amounts recognised in the financial statements, that are used by management are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Allowance for loan impairment

The Corporation regularly reviews its loans and receivables to assess impairment. The Corporation uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers.

Similarly, the Corporation estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 and receivables. The Corporation uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Assessment of collateral

The management monitors collateral on a regular basis using experienced judgements or independent estimate in order to adjust the cost of collateral considering the current market situation.

Taxation

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Corporation is in substantial compliance with the tax laws regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Recovery of deferred income tax assets

Judgement is required in determining whether deferred income tax assets are recognized in the statement of financial position. Deferred income tax assets including those arising from un-utilised tax losses require the management to assess whether it is probable that the Corporation will generate sufficient taxable earnings in future periods in order to utilize recognized deferred income tax assets. Assumptions relating to generation of taxable income in future depend on estimates of the management regarding future cash flows.

(Thousands of Tenge, unless otherwise indicated)

4. Significant accounting judgements and estimates (continued)*Recovery of deferred income tax assets (continued)*

These estimates of future taxable income are based on forecasts of cash flows from operating activities (interest income, interest expenses, provision for impairment) and judgements regarding application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Corporation could limit the ability of the Corporation to obtain tax deductions in future periods.

5. Cash and cash equivalents

Cash comprises:

	<u>2013</u>	<u>2012</u>
Cash on hand	59	5
Cash on current account	1.292.590	2.172.659
Cash and cash equivalents	<u>1.292.649</u>	<u>2.172.664</u>

As at 31 December 2013, the Corporation had concentration of cash balances at bank accounts represented by KZT 324,534 thousand, or 25% due from one local bank, Bank CenterCredit JSC (31 December 2012 – KZT 1,700,011 thousand, or 79%, in Nurbank JSC).

6. Amounts due from credit institutions

As at 31 December 2013, cash balances at term bank deposits comprised KZT 8,493,015 thousand due from three local banks with maturity in 2014-2016.

7. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	<u>2013</u>			<u>2012</u>		
	<i>Notional principal</i>	<i>Fair value</i>		<i>Notional principal</i>	<i>Fair value</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Options	-	-	-	1.259.279	245.796	-

As at 31 December 2013 the Corporation did not have currency options due to full repayment of loans linked to a foreign currency during the year then ended.

Net (losses) / gains on derivative financial instruments include the following positions:

	<u>2013</u>	<u>2012</u>
Realized gains on derivative financial instruments	119.908	464.566
Unrealized gain on derivative financial instruments	-	182.835
Losses related to the expiration of contracts on derivative financial instruments	(233.463)	-
Net (losses) / gains on derivative financial instruments	<u>(113.555)</u>	<u>647.401</u>

During 2013 the Corporation invalidated currency options for its entire contract and wrote off previously accrued income in the amount of KZT 233,463 thousand.

8. Loans to customers

Loans to customers comprise:

	<u>2013</u>	<u>2012</u>
Loans to legal entities in the agricultural sector	113.132.299	82.286.406
Loans to individuals in the agricultural sector	13.936.589	11.366.410
Total loans to customers	127.068.888	93.652.816
Less allowance for impairment	(13.858.698)	(11.591.670)
Loans to customers	<u>113.210.190</u>	<u>82.061.146</u>

*(Thousands of Tenge, unless otherwise indicated)***8. Loans to customers (continued)***Allowance for impairment of loans to customers*

A reconciliation of the allowance for impairment of loans is as follows:

	<i>2013</i>	<i>2012</i>
At 1 January	11,591,670	10,588,236
Charge for the year	3,063,632	2,409,077
Write-off	(796,604)	(1,405,643)
At 31 December	13,858,698	11,591,670
Individual impairment	6,709,112	5,821,751
Collective impairment	7,149,586	5,769,919
	13,858,698	11,591,670
Gross amount of loans, individually determined to be impaired, before deducting impairment allowance	7,525,259	7,529,259

The difference between the cost at initial recognition of loans to customers, and fair value of loans to customers in 2013 of KZT 1,417,201 thousand (2012: KZT 663,979 thousand) is recognized as a deemed distribution reserve.

Loans individually determined as impaired

The fair value of collateral that the Corporation holds relating to loans individually determined as impaired at 31 December 2013 amounts to KZT 816,147 thousand. (2012: KZT 1,707,508 thousand).

Collateral and other credit enhancements

The amount and type of collateral required by the Corporation depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for loans to customers – collateral of real estate properties, agricultural equipment, inventory and accounts receivable, guarantees and securities;
- for loans to individuals – collateral of residential properties and other assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the loan impairment.

Concentration of loans to customers

As at 31 December 2013, the Corporation had a concentration of loans represented by KZT 27,280,986 thousand due from 10 largest borrowers that comprised 21% of the total gross loan portfolio (31 December 2012 – KZT 23,093,151 thousand and 24% of the total gross loan portfolio).

Interest income of the Corporation on loans for which individual impairment is recognized, for the year ended 31 December 2013, comprised to KZT 113,470 thousand. (2012: KZT 1,257,590 thousand).

9. Assets held for sale

As at 31 December 2009 the Corporation decided to sell investments in associates which represent equity interest in credit partnerships. These partnerships provide financing to the agricultural clients located in rural areas using funds from the Corporation. During 2013 and 2012, the Corporation developed the plan to sell investments in associates and initiated the program to determine customers and finalise the plan.

The Corporation started to actively market for sale at the price, that is reasonable to the investments' current fair value. As a result of the investment in associates were classified as assets held-for-sale.

(Thousands of Tenge, unless otherwise indicated)

9. Assets held for sale (continued)

Below is the movement of investments accounts at 31 December:

	<i>2013</i>	<i>2012</i>
Carrying value at 1 January	89,812	167,666
Sale of assets held for sale	(15,881)	(72,554)
Impairment charge of assets held for sale	–	(5,300)
Carrying value at 31 December	73,931	89,812

The movement of allowance for impairment of assets held for sale is as follows:

	<i>2013</i>	<i>2012</i>
Balance at 1 January	(5,300)	(2,293)
Charge for the year	–	(5,300)
Write-off	5,300	2,293
Balance at 31 December	–	(5,300)

10. Property and equipment

	<i>Land</i>	<i>Buildings and construc- tions</i>	<i>Computers and office equipment</i>	<i>Vehicles</i>	<i>Other</i>	<i>Total</i>
At cost						
As at 31 December 2011	5,397	133,668	120,390	36,664	54,692	350,811
Additions	–	–	17,034	34,750	8,358	60,142
Transfer to investment property	–	(133,668)	–	–	–	(133,668)
Disposals	–	–	(1,913)	(6,725)	(247)	(8,885)
At 31 December 2012	5,397	–	135,511	64,689	62,803	268,400
Additions	–	–	19,696	–	19,746	39,442
Disposals	–	–	(7,988)	(5,825)	(2,909)	(16,722)
At 31 December 2013	5,397	–	147,219	58,864	79,640	291,120
Accumulated dereciation						
As at 31 December 2011	–	41,024	40,927	13,616	22,324	117,891
Charge for the year	–	4,512	16,460	5,113	5,377	31,462
Transfer to investment property	–	(45,536)	–	–	–	(45,536)
Written-off on disposal	–	–	(1,901)	(4,385)	(141)	(6,427)
At 31 December 2012	–	–	55,486	14,344	27,560	97,390
Charge for the year	–	–	17,205	5,900	6,744	29,849
Written-off on disposal	–	–	(7,940)	(1,942)	(2,471)	(12,353)
At 31 December 2013	–	–	64,751	18,302	31,833	114,886
Net book value:						
At 31 December 2011	5,397	92,644	79,463	23,048	32,368	232,920
At 31 December 2012	5,397	–	80,025	50,345	35,243	171,010
At 31 December 2013	5,397	–	82,468	40,562	47,807	176,234

In 2012 the Corporation made a decision to transfer the building with net book value at the date of transfer previously occupied by the administrative personnel into operating lease. According to IAS 40, property held to earn rentals, but not to be used for administrative purposes meets the definition of investment property. Due to change in the method of using, the reclassification from property and equipment to investment property is possible. As at 31 December 2013 the building with net amortised cost of KZT 80,614 thousand continues to be used for rental income (2012: KZT 86,628 thousand).

*(Thousands of Tenge, unless otherwise indicated)***10. Property and Equipment (continued)****Investment in real estate**

	<i>Buildings</i>
Cost	
As at 31 December 2011	–
Transfer from property and equipment	133,668
At 31 December 2012 and 2013	<u>133,668</u>
Accumulated depreciation	
As at 31 December 2011	–
Transfer from property and equipment	45,536
Charge for the year	1,504
At 31 December 2012	47,040
Charge for the year	6,014
At 31 December 2013	<u>53,054</u>
Net book value	
At December 31, 2012	86,628
At 31 December 2013	<u>80,614</u>

Income from lease of investment property amounted to KZT 19,128 thousand (2012: KZT 14,189 thousand).

11. Intangible assets

The movements in intangible assets were as follows:

	<i>Software</i>
Cost:	
At December 31, 2011	402,512
Additions	12,732
At 31 December 2012	415,244
Additions	8,582
Disposals	(3,675)
At 31 December 2013	<u>420,151</u>
Accumulated depreciation:	
At 31 December 2011	118,786
Charge for the year	43,894
At 31 December 2012	162,680
Charge for the year	44,404
Disposals	(3,675)
At 31 December 2013	<u>203,409</u>
Net book value:	
As at 31 December 2011	283,726
At 31 December 2012	252,564
At 31 December 2013	<u>216,742</u>

12. Other assets

	<i>2013</i>	<i>2012</i>
Repossessed land from borrowers	848,091	168,482
Other assets	175,346	55,281
Total other assets	<u>1,023,437</u>	<u>223,763</u>

*(Thousands of Tenge, unless otherwise indicated)***12. Other assets (continued)**

As at 31 December 2013 repossessed collaterals comprise real estate that was collected by the Corporation from borrowers who failed to meet the obligations to repay a loan to the Corporation. During 2013 the Corporation collected from the borrowers plots of land in the amount of KZT 679,609 thousand. During 2012 the Corporation collected from the borrowers plots of land in the amount of KZT 168,482 thousand.

13. Amounts due to credit institutions

Long-term borrowings obtained from banks include:

<i>Bank</i>	<i>Currency</i>	<i>Maturity</i>	<i>Interest rate</i>	<i>2013</i>	<i>2012</i>
Commerzbank AG	US Dollars	25 February 2013	10,33%	–	2,369,301
SB Sberbank of Russia JSC	Tenge	9 June 2014	6,75%	<u>3,012,375</u>	–
				<u>3,012,375</u>	<u>2,369,301</u>

Financial covenants

In 2013 the Corporation repaid long-term loan from Commerz Bank AG in the amount of USD 16 million (equivalent in Tenge – 2,411,000 thousand). At 31 December 2012 the Corporation repaid a portion of long-term loan from Commerz Bank AG in the amount of USD 30 million (equivalent in Tenge – 4,486,175 thousand).

On 4 December 2013 the Corporation entered into a long-term credit line contract with Sberbank of Russia JSC for the total amount of KZT 7,000,000 thousand. The amount of tranche under the contract is KZT 3,000,000 thousand. The loan could be used to repay debt to the Shareholder under the budget program 023 “Lending to the National Managing Holding KazAgro JSC for the purpose to support agro-industrial complex entities”.

14. Amounts due to the Shareholder

	<i>Maturity</i>	<i>Interest rate</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Investment loan under contract No. 36	30 December 2023	1.02%	<u>13,087,307</u>	15,111,020
The loan under contract No. 148	10 December 2019	1,00%	<u>418,551</u>	–
The loan under contract No. 112	10 April 2014	1,02%	<u>34,030,827</u>	–
Amounts due to the Shareholder			<u>47,536,685</u>	<u>15,111,020</u>

Investment loan under contract No. 36

On the 18th of May 2009 the Corporation entered into General Lending Agreement with KazAgro No. 36. In accordance with this Agreement, the Corporation obtains an investment loan to develop, expand and modify production in agricultural sector. The investment loan matures on 30 December 2023, the amortised cost of cash at 31 December 2013 under the Agreement is KZT 13,087,307 thousand, and interest is accrued at nominal rate of 1.02% per annum and effective interest rate of 6% at the date of issue.

During 2013 the Corporation under General Lending Agreement with KazAgro No. 36 received long-term funds in the amount of KZT 380,199 thousand (during 2012: KZT 1,967,842 thousand). Positive difference of KZT 66,542 thousand (31 December 2012: KZT 356,498 thousand) resulting from initial measurement at fair value of loans obtained from the Shareholder and state-financed organizations at below market rates is recognized as additional paid-in capital. During 2013 the Corporation also repaid loans under Master Lending Agreement with KazAgro No. 36 in the amount of KZT 2,037,655 thousand (during 2012: KZT 3,126,309 thousand).

*(Thousands of Tenge, unless otherwise indicated)***14. Amounts due to the Shareholder (continued)***The loan under contract No. 148*

On the 10th of December 2012 the Corporation entered into General Lending Agreement with KazAgro No. 148. The amount of the loan under the agreement is KZT 2,000,000 thousand. Interest is accrued on the rate of 1%. The loan mature in 7 years after signing date of the agreement. The loan may be used to meet liquidity needs sufficient to cover the liabilities; support agricultural complex entities; acquire, repair and upgrade property and equipment and other purposes in accordance with the legislation. The carrying amount of cash under this master lending agreement as at 31 December 2013 amounted to KZT 418,551 thousand.

During 2013 the Corporation under Master Lending Agreement with KazAgro No. 148 received long-term funds in the amount of KZT 1,000,000 thousand (during 2012: KZT 1,000,000 thousand). Positive difference of KZT 66,528 thousand resulting from initial measurement at fair value of loans obtained from the Shareholder and state-financed organizations at below market rates is recognized as additional paid-in capital. During 2013 the Corporation also repaid loans under Master Lending Agreement with KazAgro No. 148 in the amount of KZT 1,520,000 thousand.

The loan under contract No. 112

On 26 November 2013 the Corporation entered into short-term loan agreement with KazAgro No. 112. The source of financing of this loan are the funds borrowed from the National Fund of the Republic of Kazakhstan. The amount of the loan under the agreement is KZT 34,000,000 thousand. Interest is accrued at the rate of 1.02%. The loan matures on 10 April 2014. The loan could be used for replacement of funds attracted by the Corporation in 2013 under the budget program 023 "Lending to the National Managing Holding KazAgro JSC for the purpose to support agro-industrial complex entities". The nominal amount of cash under this agreement as at 31 December 2013 amounted to KZT 34,030,827 thousand.

At 31 December 2013 and 2012 the Corporation had no violations of financial covenants related to amounts due to the Shareholder.

15. Debt securities issued

	<i>Maturity</i>	<i>Rate %</i>	<i>Currency</i>	<i>2013</i>	<i>2012</i>
Fixed income debt securities, 2nd issue	5 December 2015	7%	Tenge	2,870,273	2,331,832
Fixed income debt securities, 1st issue	29 June 2014	8%	Tenge	3,041,217 5,911,490	1,582,058 3,913,890

During 2013 the Corporation placed debt securities on the first and second issues of the first bond program in the amount of 1,936,112 items at nominal value of KZT 1 thousand and repurchased 14,112 items at nominal value of KZT 1 thousand (during 2012: was placed in amount of KZT 3,897,600 thousand).

16. Other liabilities

	<i>2013</i>	<i>2012</i>
Amounts of interest rate subsidizes on loans issued by the Corporation by Ministry of Agriculture of the Republic of Kazakhstan	43,517	–
Accounts payable	26,609	36,887
Salary and taxes payable	29,172	14,333
Liabilities on pension and social deductions	17,144	10,383
Other	2,697	701
Total other liabilities	119,139	62,304

*(Thousands of Tenge, unless otherwise indicated)***17. Taxation**

A reconciliation of corporate income tax expenses ("CIT") applicable to income before taxation at the statutory corporate income tax rate, for the years ended 31 December is set out below:

	<u>2013</u>	<u>2012</u>
Current income tax expense	-	-
Deferred tax: Origination and decrease of temporary differences	(551)	(123,237)
Less: deferred tax expense recognized in other comprehensive income	(256,826)	(61,496)
Income tax expense	(257,377)	(184,733)

As at 31 December 2013 current CIT assets amounted to KZT 382,045 thousand (2012: KZT 359,787 thousand).

Deferred tax recognized in other comprehensive income is allocated as follows:

	<u>2013</u>	<u>2012</u>
On assets	283,440	132,796
On liabilities	(26,614)	(71,300)
Income tax benefit recognized in other comprehensive loss	256,826	61,496

	<u>2013</u>	<u>2012</u>
Profit before income tax expense	695,026	571,902
Statutory tax rate	20%	20%
Theoretical corporate income tax expenses at the statutory rate	(139,005)	(114,380)
Non-deductible tax expenses	(118,372)	(70,353)
Income tax expense	(257,377)	(184,733)

(Thousands of Tenge, unless otherwise indicated)

17. Taxation (continued)

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise the following:

	<i>Origination and decrease of temporary differences</i>			<i>Origination and decrease of temporary differences</i>			<i>2013</i>
	<i>2011</i>	<i>In the income statement</i>		<i>2012</i>	<i>In the income statement</i>		
		<i>In equity</i>			<i>In equity</i>		
Tax effect of deductible temporary differences:							
Tax loss carried forward	1,303,899	189,650	–	1,493,549	(1,433,736)	–	59,813
Loans to customers	1,042,030	(480,902)	132,796	693,924	222,339	283,440	1,199,703
Unused vacations accrual	15,724	4,929	–	20,653	(894)	–	19,759
Assets held for sale	11,227	(5,902)	–	5,325	(3,209)	–	2,116
Net deferred tax asset	2,372,880	(292,225)	132,796	2,213,451	(1,215,500)	283,440	1,281,391
Tax effect of taxable temporary differences							
Impairment charge	(461,455)	461,455	–	–	–	–	–
Dynamic provisions	–	(698,375)	–	(698,375)	698,375	–	–
Derivative financial instruments	(69,792)	(36,567)	–	(106,359)	106,359	–	–
Amounts due to the Shareholder	(861,122)	370,661	(71,300)	(561,761)	134,339	(26,614)	(454,036)
Property and equipment and intangible assets	(37,494)	10,318	–	(27,176)	19,050	–	(8,126)
Deferred tax liabilities	(1,429,863)	107,492	(71,300)	(1,393,671)	958,123	(26,614)	(462,162)
Deferred tax asset/(liability)	943,017	(184,733)	61,496	819,780	(257,377)	256,826	819,229

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In Republic of Kazakhstan tax loss carried forward expire for tax purposes ten years from the date they are incurred (2012: ten years). Tax losses carried forward recognized at 31 December 2013 in the amount of KZT 59,813 thousand will expire in 2022-2023 (31 December 2012: KZT 1,493,549 thousand will expire in 2019-2022).

18. Equity

Below is information on movement of issued and fully paid shares:

	<i>Offering price (KZT)</i>	<i>Number of ordinary shares</i>	<i>Total in thousands of Tenge</i>
At 31 December 2011		65,349,371	65,349,371
Increase in share capital	1,000	4,000,000	4,000,000
At 31 December 2012		69,349,371	69,349,371
Increase in share capital	1,000	4,878,000	4,878,000
At 31 December 2013		74,227,371	74,227,371

*(Thousands of Tenge, unless otherwise indicated)***18. Equity (continued)**

As at 31 December 2013, total number of authorized, issued and paid common shares comprised 74,227,371 shares, (31 December 2012: 69,349,371 shares). On the basis of the decision of the sole Shareholder dated 30 January 2013 the share capital was increased by 4,878 thousand of ordinary shares with the placement value of KZT 1,000 each; cash was obtained from the sole Shareholder as a contribution to the share capital in 2013. On the basis of the decision of the sole Shareholder dated 14 February 2011, 26 October 2011 and 21 December 2011 the share capital was increased by 4,000 thousand of ordinary shares with the placement value of KZT 1,000 each; cash was obtained from the sole Shareholder as a contribution to the share capital in 2012.

As at 31 December 2013 and 2012 the owner of a common share has the right for one vote and an equal right for dividends. Distributable income is determined on the basis of income recorded in the Corporation's financial statements.

For the year ended 31 December 2013 the Corporation paid dividends in the amount of KZT 96,792 thousand based on the decision of the sole Shareholder dated 29 May 2013 (KZT 1.304 for one share). For the year ended 31 December 2012, the Corporation did not declare and paid dividends.

In accordance with the Regulation of the Corporation, reserve capital is made for general financial institutions' future losses and other unforeseen risks and obligations. Reserve capital is subject to allocation based on the decision of shareholders at the general meeting.

Based on the decision of the sole Shareholder dated 29 May 2013 the reserve capital was increased by KZT 290,377 thousand with the use of 2012 income. In 2012, based on the decision of the sole Shareholder dated 30 May 2012 the reserve capital was increased by KZT 169,145 thousand with the use of 2011 income.

The movements in other reserves were as follows:

	<i>Reserve funds</i>	<i>Additional paid-in capital</i>	<i>Deemed distribu- tion reserve</i>	<i>Total</i>
As at 31 December 2011	533.203	3.904.973	(4.655.348)	(217.172)
Deemed distribution reserve (Note 8)	-	-	(663.979)	(663.979)
Tax effect on deemed distribution reserve (Note 16)	-	-	132.796	132.796
Initial recognition of income on loans acquired at below market rates (Note 14)	-	356.498	-	356.498
Tax effect on initial recognition of income on loans at below market rates (Note 16)	-	(71.300)	-	(71.300)
Increase in reserve capital	169.145	-	-	169.145
At 31 December 2012	702.348	4.190.171	(5.186.531)	(294.012)
Deemed distribution reserve (Note 8)	-	-	(1.417.201)	(1.417.201)
Tax effect on deemed distribution reserve (Note 16)	-	-	283.440	283.440
Initial recognition of income on loans acquired at below market rates (Note 14)	-	133.070	-	133.070
Tax effect on initial recognition of income on loans at below market rates (Note 16)	-	(26.614)	-	(26.614)
Increase in reserve capital	290.377	-	-	290.377
At 31 December 2013	992.725	4.296.627	(6.320.292)	(1.030.940)

*(Thousands of Tenge, unless otherwise indicated)***19. Commitments and contingencies****Legal issues**

In the ordinary course of business, the Corporation 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 of the Corporation.

Undrawn loan facilities

As at 31 December the Corporation's commitments and contingencies comprised the following:

	<u>2013</u>	<u>2012</u>
Undrawn credit lines – loans to customers	26,987,290	27,464,144

As at 31 December 2013, the concentration of undrawn credit lines to 10 largest independent parties totalled KZT 5,313,650 thousand or 45% of the total amount of undrawn credit lines, (31 December 2012: KZT 6,249,320 thousand and 23%).

20. Personnel and other operating expenses

Salaries and other employee benefits and other operating expenses comprise:

	<u>2013</u>	<u>2012</u>
Salaries and bonuses	(1,241,200)	(1,112,412)
Social security costs	(123,792)	(106,877)
Personnel expenses	<u>(1,364,992)</u>	<u>(1,219,289)</u>
Rent	(169,332)	(119,898)
Legal and advisory services	(142,890)	(106,862)
Advertising expenses	(82,690)	(76,018)
Depreciation and amortization	(80,262)	(76,861)
Business trip	(60,496)	(51,962)
Expenses associated with the assessment of collateral	(36,164)	(17,729)
Communication	(32,737)	(31,357)
Materials, including fuel and lubricants	(28,178)	(22,572)
Maintenance of property and equipment	(23,368)	(28,995)
Bank charges	(22,503)	(15,847)
State duty	(18,452)	(53,608)
Charity and sponsorship	(15,000)	(17,763)
Insurance	(13,846)	(9,578)
Training	(8,095)	(6,503)
Other	(41,089)	(17,836)
Other operating expenses	<u>(775,102)</u>	<u>(653,389)</u>

21. Risk management**Introduction**

Risk is inherent to the activities of the Corporation. The Corporation manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Corporation's continuing profitability and each individual within the Corporation is accountable for the risk exposures relating to his or her responsibilities. The Corporation is exposed to credit risk, risk of liquidity, market risk and prepayment risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Corporation's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

(Thousands of Tenge, unless otherwise indicated)

21. Risk management (continued)

Introduction (continued)

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Corporation.

Risk management department

The Risk Management Unit is responsible for introduction and performance of risk management related procedures in order to ensure an independent control process as well as compliance with principles, risk management policies and risk limits across the Corporation. The Risk Management Unit consists of two structural subdivisions: Financial risk department and Credit risk department.

Treasury department

The Corporation Treasury is responsible for managing the Corporation's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Corporation.

Internal audit function

Risk management processes throughout the Corporation are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Corporation's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Management Board and Boards of Directors.

Risk measurement and reporting systems

The Corporation's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

Monitoring and controlling risks is primarily performed based on limits established by KazAgro for the Corporation. These limits reflect the business strategy and market environment of the Corporation.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, Board of Directors, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer risks takes place. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Corporation.

Excessive risk concentration

In order to avoid excessive concentrations of risks, the Corporation's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Corporation will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Corporation manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Thus, in order to avoid a concentration of credit risk in one or a group of affiliates, has been established a limit of no more than 23% of the Corporation's own equity. Bank-counterparty limits are established by KazAgro for interbank transactions.

The Corporation has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions which are performed by separate units of the Corporation. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Corporation to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.

*(Thousands of Tenge, unless otherwise indicated)***21. Risk management (continued)****Credit risk (continued)**

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the influence of risk mitigation through the use of master netting agreements and collateral agreements is most accurately reflected by their carrying amounts.

For additional information on the maximum credit exposure for each class of financial instruments, see Notes 5-8 and 21.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Corporation's internal credit ratings. The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Corporation's credit rating system. Loans to borrowers with good financial position and no overdue payments are defined as standard. If there is a temporary decline in financial standing of the borrower and/or insufficient collateral without overdue payments, these loans are defined as substandard.

	<i>Standard grade</i>	<i>Substandard</i>	<i>Collectively impaired</i>	<i>Individually impaired</i>	<i>Total</i>
Loans to customers:					
2013	92,343,200	5,739,771	14,311,072	816,147	113,210,190
2012	64,547,881	2,171,559	13,634,198	1,707,508	82,061,146

Credit quality per class of financial assets

It is the Corporation's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products.

Aging analysis of past due but not impaired loans per class of financial assets

	<i>Less than 30 days</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>Total</i>
Loans to customers:				
2013	2,914,048	2,566,789	258,934	5,739,771
2012	1,687,858	431,718	51,983	2,171,559

Impairment assessment

The main considerations for the loan impairment assessment comprise: whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Corporation addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Collectively assessment

Allowances are assessed collectively for impairment of loans that are not individually significant and provisions for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

Collectively assessment (continued)

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Corporation's overall policy.

*(Thousands of Tenge, unless otherwise indicated)***21. Risk management (continued)****Liquidity risk and funding management**

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the management of the Corporation has arranged diversified funding sources. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Corporation's financial liabilities at 31 December 2013 and 2012, based on contractual undiscounted payment obligations:

<i>Financial liabilities At 31 December 2013</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Amounts due to credit institutions	50,625	3,050,625	–	–	3,101,250
Amounts due to the Shareholder	384,141	36,218,126	8,939,935	4,976,830	50,519,032
Debt securities issued	–	3,239,384	3,103,000	–	6,342,384
Amounts due to government related organizations	–	31,769	62,900	–	94,669
Total undiscounted financial liabilities	434,766	42,539,904	12,105,835	4,976,830	60,057,335

<i>Financial liabilities At 31 December 2012</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Amounts due to credit institutions	2,374,009	–	–	–	2,374,009
Amounts due to the Shareholder	186,957	3,072,542	10,680,116	4,720,998	18,660,613
Debt securities issued	–	82,858	4,483,624	–	4,566,482
Amounts due to government related organizations	11,373	20,602	94,670	–	126,645
Total undiscounted financial liabilities	2,572,339	3,176,002	15,258,410	4,720,998	25,727,749

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rates on assets and liabilities (except for indexed issued debt securities) of the Corporation are fixed. The Corporation regularly monitors inflation risks arising from indexed debt securities. The Corporation has the right to consider repurchasing of these instruments at the open market in the event of the significant increase of debt service expenses linked to the change in inflation index.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Corporation had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive trading monetary assets). The effect on equity does not differ from the effect on the income statement. All other variables are held constant. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

<i>Currency</i>	<i>Change in currency rate in % 2013</i>	<i>Effect on profit before tax 2013</i>	<i>Change in currency rate in % 2012</i>	<i>Effect on profit before tax 2012</i>
USD	+/-30,00	-/+16,098	+/-1,57	-/+37,883

Prepayment risk

Prepayment risk is the risk that the Corporation will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected.

*(Thousands of Tenge, unless otherwise indicated)***21. Risk management (continued)****Currency risk (continued)***Operational risk*

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

22. Fair value of financial instruments

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant non-observable inputs (Level 3)</i>	
Assets whose fair value is disclosed	31 December				
Cash and cash equivalents	2013	1,292,649	–	–	1,292,649
Amounts due from credit institutions	31 December 2013	–	–	8,493,015	8,493,015
Loans to customers	31 December 2013	–	–	106,352,867	106,352,867
Liabilities whose fair value is disclosed	31 December				
Amounts due to credit institutions	2013	–	–	3,012,375	3,012,375
Amounts due to the Shareholder	31 December 2013	–	–	46,284,262	46,284,262
Debt securities issued	31 December 2013	5,800,609	–	–	5,800,609
Amounts due to government-related organizations	31 December 2013	–	–	84,513	84,513
	31 December 2012	(Level 1)	(Level 2)	(Level 3)	Total
Assets measured at fair value					
Derivative financial instruments	31 December 2012	–	245,796	–	245,796

*(Thousands of Tenge, unless otherwise indicated)***22. Fair values of financial instruments (continued)***Financial instruments recorded at fair value*

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Corporation's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The techniques combine various inputs, including credit quality of counterparties, currencies forward and spot rates and interest rates curves.

Financial instruments not carried at fair value in the statement of financial position

Set out below is a comparison of the current amounts and fair values of the Corporation's financial instruments recorded in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

<i>At 31 December 2013</i>	<i>Current value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Financial assets			
Cash and cash equivalents	1,292,649	1,292,649	–
Amounts due from credit institutions	8,493,015	8,493,015	–
Loans to customers	113,210,190	106,352,867	(6,857,323)
Financial liabilities			
Amounts due to credit institutions	3,012,375	3,012,375	–
Amounts due to the Shareholder	47,536,685	46,284,262	1,252,423
Debt securities issued	5,911,490	5,800,609	110,881
Amounts due to government-related organizations	86,868	84,513	2,355
Total unrecognised change in unrealized fair value			(5,491,664)
<i>At 31 December 2012</i>	<i>Current value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Financial assets			
Cash and cash equivalents	2,172,664	2,172,664	–
Loans to customers	82,061,146	77,878,869	(4,182,277)
Financial liabilities			
Amounts due from credit institutions	2,369,301	2,369,301	–
Amounts due to the Shareholder	15,111,020	15,838,412	(727,392)
Debt securities issued	3,913,890	3,844,125	69,765
Amounts due to government-related organizations	111,988	111,748	240
Total unrecognised change in unrealized fair value			4,839,664

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(Thousands of Tenge, unless otherwise indicated)

22. Fair values of financial instruments (continued)**Assets for which fair value approximates current value**

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the current amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

23. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note "Risk management" for the Corporation's contractual undiscounted repayment obligations.

	2013			2012		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Financial assets						
Cash and cash equivalents	1,292.649	–	1,292.649	2,172.664	–	2,172.664
Amounts due from credit institutions	1,304.375	7,188.640	8,493.015	–	–	–
Derivative financial instruments	–	–	–	245.796	–	245.796
Loans to customers	67,172.397	46,037.793	113,210.190	41,729.901	40,331.245	82,061.146
Assets held for sale	73.931	–	73.931	89.812	–	89.812
Property and equipment	–	176.234	176.234	–	171.010	171.010
Investment property	–	80.614	80.614	–	86.628	86.628
Intangible assets	–	216.742	216.742	–	252.564	252.564
Current income tax assets	382.045	–	382.045	359.787	–	359.787
Deferred income tax assets	–	819.229	819.229	–	819.780	819.780
Other assets	175.346	848.091	1,023.437	223.763	–	223.763
	70,400.743	55,367.343	125,768.086	44,821.723	41,661.227	86,482.950
Financial liabilities						
Amounts due to credit institutions	3,012.375	–	3,012.375	2,369.301	–	2,369.301
Amounts due to the Shareholder	36,473.497	11,063.188	47,536.685	3,230.460	11,880.560	15,111.020
Debt securities issued	3,055.878	2,855.612	5,911.490	73.481	3,840.409	3,913.890
Amounts due to government-related organizations	31.513	55.355	86.868	31.618	80.370	111.988
Short-term estimated liabilities	98.796	–	98.796	103.266	–	103.266
Other liabilities	119.139	–	119.139	62.304	–	62.304
Total	42,791.198	13,974.155	56,765.353	5,870.430	15,801.339	21,671.769
Net position	27,609.545	41,393.188	69,002.733	38,951.293	25,859.888	64,811.181

24. Related party transactions

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

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

*(Thousands of Tenge, unless otherwise indicated)***24. Related party transactions (continued)**

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2013			2012				
	Shareholder	Entities under common control	Associates	Due to the government	Shareholder	Entities under common control	Associates	Due to the government
Loans to customers as at 1 January	–	6,265,892	–	–	–	3,324,052	–	–
Loans issued during the year	–	1,228,078	–	–	–	5,601,226	–	–
Repayment of loans during the year	–	(3,927,793)	–	–	–	(2,659,386)	–	–
Loans issued but not repaid at 31 December	–	3,566,177	–	–	–	6,265,892	–	–
Interest income during the year	–	171,353	–	–	–	196,473	–	–
Loans obtained at 1 January	15,111,020	–	–	111,988	14,807,777	165,741	16,508	134,852
Loans obtained during the year	75,380,199	–	–	–	31,829,697	–	–	–
Repayment of loans during the year	(43,557,655)	–	–	(31,140)	(31,988,364)	(165,741)	(16,508)	(22,864)
Unwinding of discount	603,121	–	–	6,020	461,910	–	–	–
Loans obtained at 31 December	47,536,685	–	–	86,868	15,111,020	–	–	111,988
Interest expenses during the year	364,304	–	–	6,858	239,132	8,396	1,443	942

Key management personnel in 2013 consisted of 5 persons (2012: 5 persons). Compensation of key management personnel comprised of the following:

	2013	2012
Salaries and other short-term benefits	43,871	52,353
Social security costs	4,364	5,143
Total compensation to key management personnel	48,235	57,496

	2013	2012
Undrawn credit lines – loans to associates	1,550,577	1,908,029
Guarantees issued by the Shareholder (Note 12)	–	2,369,301

25. Capital adequacy

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

The primary objectives of the Corporation's capital management are to ensure that the Corporation complies with externally imposed capital requirements and that the Corporation maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. During the 2013, the Corporation had complied in full with all its external statutory capital requirements.

*(Thousands of Tenge, unless otherwise indicated)***25. Capital adequacy (continued)***Capital adequacy ratio established by the FMSC*

The Committee requires companies engaged in certain types of banking activities to maintain a minimum k1 and k1-2 capital adequacy ratio of 6% of assets and minimum k1-3 total capital adequacy ratio of 12% of risk-weighted assets. In 2013 and 2012 the risk-weighted assets, calculated under the Committee requirements were obtained on the basis of Corporation's separate financial statements prepared in accordance with Kazakhstan Accounting Standards. As at 31 December, the Corporation's capital adequacy ratio on this basis was as follows:

	<i>2013</i>	<i>2012</i>
Tier 1 capital	68,531,607	64,390,184
Tier 2 capital	437,649	387,169
Participatory shares in charter capital of a legal entity	(73,931)	(89,812)
Total equity	68,895,325	64,687,541
Risk weighted assets	123,214,515	84,074,380
Commitments and contingencies	13,493,645	13,732,072
Operational risk	2,806,683	1,855,808
Capital adequacy ratio k1	54.5%	74.4%
Capital adequacy ratio (k1-2)	50.1%	65.8%
Capital adequacy ratio (k1-3)	49.4%	64.9%

26. Subsequent events

On 11 February 2014, exchange rate of Kazakh Tenge was devalued against US Dollar and other main currencies to approximately 20%.

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