

ҚАЗАҚСТАННЫҢ
ДЕПОЗИТТЕРГЕ
КЕПІЛДІК БЕРУ
Қ О Р Ы



KAZAKHSTAN
D E P O S I T
I N S U R A N C E
F U N D

ANNUAL REPORT

2013





In November, 2013, at the Annual General Meeting of the International Association of Deposit Insurers in Buenos Aires (Argentina), the Kazakhstan Deposit Insurance Fund won the award in nomination "Deposit Insurance Organization of Deposit Insurance System Improvements".

This nomination is established in recognition of the achievements of the deposit insurers that have significantly progressed in development of the deposit insurance system over the last three years.

In awarding, the International Association of Deposit Insurance Systems acknowledged such achievements of the KDIF as achieving high efficiency of operations specific to payouts to depositors of a forcibly liquidated member bank, development of IT solutions, advanced funding and risk management system, public awareness activities, and development of the legislation of the Republic of Kazakhstan in regard to deposit insurance.

In line, a specific contingency action plan in liquidation of a DIS member bank was reviewed.

MISSION

To be an efficient party in safeguarding stability of financial system and protecting rights and lawful interests of depositors of second-tier banks in the Republic of Kazakhstan

VISION

- ➔ to comply with the Core Principles for Effective Deposit Insurance Systems
- ➔ to fulfill the Mission applying global best practice

STRATEGIC OBJECTIVES

- ➔ to ensure adequacy of special reserve for payouts
- ➔ to develop advanced business processes so as to be capable of reimbursing depositors of a forcibly liquidated member bank
- ➔ to develop legal framework and to protect the rights and lawful interests of depositors
- ➔ to strengthen International relations
- ➔ to adhere to Global best practices in capacity building
- ➔ to strengthen relations with all parties of deposit insurance system and parties of financial safety net of the Republic of Kazakhstan, and other partners

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By Approval of the National Bank of Kazakhstan, the Sole Shareholder of JSC “Kazakhstan Deposit Insurance Fund”, on 30 April 2014 Mr. Bakyt Kogulov was appointed Chairman of JSC “Kazakhstan Deposit Insurance Fund”. In line, Mr. Kogulov was assigned membership in the KDIF's Board of Directors.

Mr. Kogulov has earned very extensive expertise in banking regulations and supervision working in the divisions of National Bank of Kazakhstan for supervision over banking and insurance businesses. For over 15 latest years, Mr. Kogulov has performed high managerial positions.

Bakyt Kogulov

Chairman of the Kazakhstan Deposit Insurance Fund

MESSAGE FROM THE CHAIRPERSON

In general, 2013 was marked with revitalization of the Kazakhstani economy and banking industry. Lengthy recovery of the national banking sector primarily derives due to the historically low asset quality in the post-crisis period. Medium-sized banks which have been active in the retail consumer credit market and have strengthened their corporate banking operations perform as the main drivers for the high-quality loan portfolio growth. An important trend in the Kazakhstani banking sector is shifting the key driver for growth in funding of operations to the domestic market, i.e. the corporate, businesses' and individuals' deposits. In 2013, total amount of individuals' deposits with Kazakhstani banks reached 4 trillion tenge, and the continuous growth trend extends. State guarantees being provided for individuals' deposits, and successful experience of JSC "Kazakhstan Deposit Insurance Fund" in reimbursing individual depositors in forced liquidation of the Nauryz Bank Kazakhstan and the Valut-Transit Bank have largely contributed to supporting this trend.

The KDIF finished the year with good financial results. At the end of the year total assets reached 338.1 billion tenge (a gain by more than 20 % over the year). As at year-end 2013, net profit of 15 billion tenge is reported.

Capacity building in processing payouts to depositors and ensuring adequacy of funding of the deposit insurance system remain agenda for the KDIF. In 2013, the KDIF accomplished a number of projects specific to these strategic business objectives.

First of all, development of the "BATA" differential premium system continued. In 2013, the KDIF examined the revised quantitative and qualitative indicators which reflect the current state of the banking sector in the most precise manner. Based on consultations with the Advisory Council, as well as comprehensive analytical work and a series of examinations being accomplished, amendments were made to the Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment.

In 2013 the KDIF accomplished development of a specialized information system "SaIT Payout" and commenced the process of intellectual property rights registration to the information systems "SaIT-Inspect" and "SaIT-Payout". These information systems automate most business processes associated with processing payouts to depositors. By the end of the reporting year, the KDIF entitled three member banks with the right to use the information systems autonomously.

To ensure adequate funding of the KDIF's special reserve for payouts, in cooperation with the Government of the Republic of Kazakhstan, the decision was made on tax exemption for the KDIF's investment income gained on the special reserve assets commencing January 1, 2014. In addition, the maximum share of the KDIF's authorized capital that according to the Shareholder's decision may be used to reimburse insured depositors in the event of a member bank's forced liquidation was increased from 50 up to 70 percent.

Continuous advancement of operations has always been one of the most important objectives for the KDIF. Therefore, obtaining an international award of the International Association of Deposit Insurers in the nomination "DIO of Deposit Insurance System Improvements" became one of the most significant and memorable events in 2013. This international award is granted on a yearly basis to one of the 75 IADI member organizations which have demonstrated significant progress in development of its operations and the adherence to the global best practices. The KDIF continues its effort for improving the procedures and fulfillment of its specific functions, as well as development of methods to assess the potential risks associated with solvency of the member banks, as well as development of efficient methods for bank recovery and resolution in co-operation with the regulatory and supervisory authorities.

To conclude, the KDIF extends its appreciation to our colleagues and partners from the National Bank, the Board of Directors and the Advisory Council members, the DIS member banks, and the IADI Secretariat and the IADI member organizations for their commitment and understanding of importance of the Kazakhstani deposit insurance system's development.

Sincerely,



*Bakyt Kogulov
Chairman of the Kazakhstan
Deposit Insurance Fund*



KAZAKHSTANI DEPOSIT INSURANCE SYSTEM IN BRIEF

MISSION AND FUNCTIONS

The Kazakhstan Deposit Insurance Fund is a non-profit organization. The founder and sole shareholder is the National Bank of the Republic of Kazakhstan.

The KDIF was established on November 15, 1999 with the mission to protect the rights and lawful interests of depositors of the second-tier banks of the Republic of Kazakhstan.

Today, the KDIF has proven itself to be a very important financial safety net participant, which realizes the State public policy objectives in accordance with its mandate and powers in safeguarding stability of the banking sector, including maintaining confidence in the banking sector via reimbursing depositors of a DIS member bank in forced liquidation.

The KDIF's functions are established with the Law of the Republic of Kazakhstan "On Mandatory Insurance of Deposits Placed with Second-Tier Banks of the Republic of Kazakhstan" (the Deposit Insurance Law).

COVERAGE

- *deposits of individuals and individual entrepreneurs (including private peasant farms and private notaries) placed with National mandatory deposit insurance system member banks in National and foreign currencies, exclusive of accrued interest.*

The concept "a bank deposit" encompasses demand and time deposits and conditional deposits, and current and card accounts placed with the second-tier banks of Kazakhstan.

Current accounts and bank deposits of legal entities, individuals' and legal entities' metal accounts, and deposits placed with Islamic banks are not covered by the National deposit insurance system.

MANDATORY MEMBERSHIP OF THE SECOND-TIER BANKS IN THE DEPOSIT INSURANCE SYSTEM

Participation in deposit insurance system is compulsory for all second-tier banks licensed to accept individuals' deposits and open and maintain their bank accounts, except for Islamic banks.

MAXIMUM COVERAGE LIMIT

Pursuant to the Deposit Insurance Law, maximum coverage limit in forced liquidation of insured bank is 5 million tenge per depositor per bank.

FUNCTIONS ASSIGNED TO THE KAZAKHSTAN DEPOSIT INSURANCE FUND

- ▼ to reimburse depositors of a member bank being forcibly liquidated pursuant to ruling of court
- ▼ to maintain the list of the deposit insurance system's member banks
- ▼ to receive and accumulate regular, additional and extraordinary premiums paid by member banks
- ▼ to exercise investment management operations
- ▼ to select an agent bank for processing payouts to depositors of a member bank in forced liquidation
- ▼ to act as a member of the temporary administration at the stages of conservatorship or withdrawal of license for conducting all banking operations from a member bank
- ▼ to act as a member of the liquidation commission and creditors' committee of a member bank under forced liquidation
- ▼ to fulfill activities dedicated to maintaining public awareness
- ▼ to conduct International cooperation

THE BASIC APPLICABLE REGULATIONS

LEGISLATION OF THE REPUBLIC OF KAZAKHSTAN ON DEPOSIT INSURANCE

- ➔ Civil code of the Republic of Kazakhstan
- ➔ Law "On Mandatory Insurance of Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan"
- ➔ Law "On Banks and Banking Activities in the Republic of Kazakhstan"
- ➔ Law "On Joint Stock Companies"
- ➔ Law "On Non-profit Organizations"

REGULATIONS OF THE AUTHORIZED STATE AUTHORITY

- ➔ Rules for conservatorship of second-tier banks and settlement of partial or complete purchase-assumption transaction by temporary administration (temporary administrator)
- ➔ Rules for forced liquidation of second-tier banks in the Republic of Kazakhstan
- ➔ Rules for settlement a purchase-and-assumption transaction
- ➔ Rules for selecting an agent bank for making payouts on a tender basis
- ➔ Investment Management Rules for the deposit insurance organization
- ➔ Rules for granting loans or placing deposits with a DIS member-bank by the deposit insurance organization

BYLAWS OF THE KAZAKHSTAN DEPOSIT INSURANCE FUND

- ➔ The Contract of adhesion of the member banks to the deposit insurance system
- ➔ Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment
- ➔ Rules for processing payouts to depositors of a DIS member bank in forced liquidation
- ➔ Rules for verification of compliance of the member-banks' database on insured deposits with the standard requirements as established by the KDIF

CONTACTS

181 Kunaev St., Almaty,
050010, Republic of Kazakhstan
Tel. / Fax : +7 (727) 291-38-29
e-mail: root@kdif.kz
website: www.kdif.kz

BRIEFLY ON THE RESULTS OF 2013

RECOGNITIONS AND AWARDS

At the 12 IADI General Annual Meeting in November 2013 in Buenos-Aires (Argentina) the KDIF was awarded as the DIO of Deposit Insurance System Improvements.

DYNAMICS IN FINANCIAL RESULTS

- ➔ In 2013, total assets increased by 19.81% and amounted to the balance of 338.1 billion tenge.
- ➔ Over the year, the member banks paid premiums for a total amount 25.2 billion tenge. The balance of premiums paid by member banks in special reserve for payouts amounted to 114.7 billion tenge as at end of year, 2013.
- ➔ In the reporting year, the shareholders' equity increased by 19.72% and amounted to 337.9 billion tenge.
- ➔ In 2013, the KDIF gained net income 15 billion tenge.

CORPORATE GOVERNANCE

8 meetings of the Board of Directors (including 5 in-person meetings and 3 absent votes), and 7 Advisory Council meetings (including 1 absentee vote) were held.

LIQUIDATION PROCESS AND PAYOUTS OF THE DEPOSIT COVERAGE

- ➔ The KDIF participated in the meetings of the creditor committees of JSC "Nauryz Bank Kazakhstan" and JSC "Valut -Transit Bank".
- ➔ Payouts to the depositors of JSC "Valut -Transit Bank" continued.
- ➔ Over the year, the KDIF in co-operation with the regulatory authorities was taking active participation in joint task force established for resolution of issues related to JSC "Valut Transzit Bank".
- ➔ By the end of 2013, 54.71 % of the KDIF's claims to the liquidation commission of JSC "Valut -Transit Bank", and 88% claims to the liquidation commission of JSC "Nauryz Bank Kazakhstan" were settled.

DEVELOPMENT OF THE LEGAL FRAMEWORK

- ➔ The KDIF initiated, or was an active party in development of the National legislation on the deposit insurance specific matters:
 - The Law "Concerning introduction of amendments and additions to several legislative acts of the Republic of Kazakhstan on the matters of taxation"
 - The Law concerning making amendments and additions to the Law "On mandatory insurance of deposits placed with the second-tier banks of the Republic of Kazakhstan"
- ➔ The KDIF participated in development of project Resolution of the Board of the National Bank "Rules for the second-tier banks' conservatorship and conducting a partial or complete purchase-and-assumption transaction".
- ➔ The KDIF participated in working groups and joint task forces on the following matters:
 - Development of conceptual suggestions on resolution or liquidation of second-tier banks
 - Introduction of amendments to the legislation of the Republic of Kazakhstan in regard to bank deposit certificates
- ➔ In order to realize its mission and the core objectives and functions of deposit insurance system, the KDIF develops proposals and suggestions on improvements of the legal framework on:
 - Provision of access for the KDIF to the data which constitutes the bank secrecy
 - Resolution of second-tier banks

- Procedure for closure of "dormant bank accounts"

➔ National Bank and International Monetary Fund commenced the following regular Financial Sector Assessment Program (FSAP). Among other things, this campaign also evaluates the Kazakhstani deposit insurance system.

DEVELOPMENT OF THE DEPOSIT INSURANCE SYSTEM

➔ The KDIF continues the work on actualization or development of by-laws, procedures and processes, including:

- Contract of Adhesion
- Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment
- Rules for verification of compliance of the member banks' databases on insured deposits with the standard requirements as established by the KDIF

➔ In order to facilitate accumulation of the special reserve for payouts, tax exemption for investment income on special reserve for payouts assets is provided for with amendments made to the legislation.

➔ Raising the share of the KDIF's authorized capital for payouts to depositors in insufficiency of special reserve for payouts up to 70% is provided for with amendments made to the legislation.

➔ The Methodology for assessing the KDIF's target special reserve ratio is developed and approved by the Board of Directors.

➔ End of November, 2013, a complex stress-test is conducted to examine the KDIF's operations and processes in case of withdrawal of license for conducting all banking operations from a DIS member bank.

DEVELOPMENT OF THE "BATA" DIFFERENTIAL PREMIUM SYSTEM

➔ A new classification group "S" with the premium rate of 0.5% is established under the "BATA" differential premium system for the member banks offering an interest rate on their retail deposit products which is higher than the one recommended by the KDIF.

➔ Quantitative and qualitative indicators of the DPS "BATA" are actualized.

➔ The work on actualization of the "BATA" Information System commenced.

ADVANCEMENT OF THE KDIF'S INVESTMENT OPPORTUNITIES

➔ Analysis of efficiency of investment management practices was conducted, with the respective revision of investment management strategy.

➔ With a view of tax exemption of the KDIF investment income reported on special reserve for payouts assets, commencing 1 January, 2014 segregated accounting practice for the KDIF proprietary assets and special reserve for payouts assets, and the respective investment income, will be introduced.

BUILDING OPERATIONAL CAPACITY TO REIMBURSE DEPOSITORS

- ➔ The KDIF accomplished compliance verification checks of the insured deposits database to the KDIF standard requirements with five DIS member-banks.
- ➔ The KDIF entitled three DIS member banks to use the “SaIT Inspect” software.
- ➔ The KDIF registered intellectual property rights for the software «SaIT-Inspect» and «SaIT-Payout».

INTERNATIONAL COOPERATION

- ➔ The KDIF participated in the Steering Committee of the joint working group for revision and actualization of the IADI Core Principles for Effective Deposit Insurance Systems.
- ➔ The KDIF and Deposit Insurance Agency (the Russian Federation) hosted a bilateral seminar covering the matters of practical implementation of the bank resolution methods. Representatives of the National Bank of Kazakhstan and the Committee for the Control and Supervision of the Financial Market and Financial Organizations attended the bilateral seminar.
- ➔ The KDIF representatives participated either as speaker or a moderator of the sessions at the following IADI meetings and international conferences:
 - 26th Annual General Meeting of the IADI Europe Regional Committee
 - 11th Annual General Meeting of the Asia-Pacific Regional Committee and the IADI International Conference “ The Key Elements of Deposit Insurance and Challenges in Practice”
 - 39th Meeting of the Executive Council and Standing Committees, as well as the IADI international conference “Financial Inclusion: Challenges and Issues for the Deposit Insurer”
 - 12th IADI Annual General Meeting and 2013 IADI International Conference “Navigating through the Financial Reform Landscape”
- ➔ A meeting of the KDIF’s representatives with the Chairman of the Swiss National Bank StabFund covering the matters specific to establishment and functioning of the bridge bank was hosted in Almaty.



CORPORATE GOVERNANCE



The Kazakhstan Deposit Insurance Fund is a non-profit subsidiary organization of the National Bank of the Republic of Kazakhstan.

The National Bank is the founder, the sole shareholder, and the higher governing body of the KDIF.

Deputy Governor of the National Bank of Kazakhstan Ms. Dina Galiyeva is empowered to make all decisions falling within the purview of the Shareholder's competence.

Ms. Dina Galiyeva

Deputy Governor of the National Bank of the Republic of Kazakhstan

THE BOARD OF DIRECTORS

The Board of Directors consists of 8 members, three of those being Independent Directors and one being the KDIF's Chairperson.

Deputy Governor of the National Bank of the Republic of Kazakhstan Mr. Daniyar Akishev is the Chairman of the Board of Directors.

THE BOARD OF DIRECTORS



Daniyar Akishev

Chairman of the Board of Directors

Deputy Governor of the National Bank of the Republic of Kazakhstan

Bakhyt Mazhenova

Chairperson of the JSC "Kazakhstan Deposit Insurance Fund" (commencing 09.10.2002 – 30.04.2014)



Gulfairuz Shaykakova

Director of the Department of Research and Strategy of the National Bank of the Republic of Kazakhstan

Beisenbek Ziyabekov

Independent Director



Mukhtar Bubeyev

Deputy Chairman of Committee for Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan

Slava Sizova

Independent Director



Vitaliy Tutushkin

Deputy Director of the Financial Stability Department of the National Bank of the Republic of Kazakhstan

Janat Kurmanov

Independent Director



During 2013, eight meetings of the Board of Directors were held, 5 being in-person meetings and 3 absent votes.

**DURING THE MEETINGS, THE BOARD OF DIRECTORS CONSIDERED,
AND MADE DECISIONS ON THE FOLLOWING MATTERS:**

- ➔ The KDIF was recommended to develop and submit for approval its suggestions on making amendments and additions to the legal acts of the Republic of Kazakhstan aimed to deposit insurance system capacity building, including enhancement of the bank resolution methods (establishment and operations of a bridge bank, etc.).
- ➔ The Methodology for determination of target reserve ratio was approved.
- ➔ Amendments and additions were approved to the Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment.
- ➔ Amendments to the Contract of Adhesion were approved.
- ➔ Amendments and additions to the Rules for processing payouts to depositors of a DIS member bank in forced liquidation were approved.
- ➔ The maximum interest rates for newly accepted bank deposits of individuals were revised and adopted three times.
- ➔ The Risk Map and Action Plan in accordance with Independent Assurance Firm's Risk Assessment Report for 2012 were approved.

THE ADVISORY COUNCIL

Advisory Council is a collegial advisory authority incorporated in the governance structure of the Kazakhstan Deposit Insurance Fund which is established with the aim to represent the interests of the DIS member banks and which is made up of their representatives.

The mission of the Advisory Council is communicating the position of the DIS member banks in consideration of the matters specific to the deposit insurance system operations as well as participation in development and enhancement of deposit insurance system.

Advisory Council members are elected annually. Membership is approved at Annual General Meeting of the DIS member banks.

The Advisory Council Chairperson shall be elected annually from among its members. In 2013, a representative of JSC "Halyk Bank of Kazakhstan" was elected Chairperson of the Advisory Council.

ADVISORY COUNCIL IN 2013



Meruert Kardzhanova

JSC "Halyk Bank of
Kazakhstan"
Chairperson of the
Advisory Council in 2013

Tatiana Belova

Deputy head of business
and products develop-
ment department of
JSC "Kazkommertsbank"



Marden Dzhangaskin

Head of strategy and
product development
department of
JSC "Eurasian Bank"

Tatiana Belozertseva

Deputy Chairperson of
JSC "Alliance Bank"



Aida Derevyanko

Head of accounting
and tax division/
chief accountant of
JSC "ATF Bank"

Murat Abishev

Managing director of
financial department of
JSC "Bank CenterCredit"

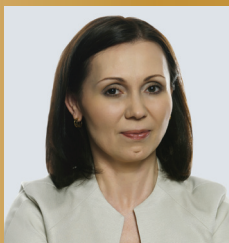


Sergei Inyushin

Deputy Chairperson
on retail business of
JSC "Sberbank of Russia"

Irina PARAMONOVA

Head of operational
department of
JSC "Temirbank"



Irina Stepanova

Managing director of
JSC "Bank RBK"

Pavel Mironov

Managing director of
JSC «Kaspi Bank»



OBSERVERS

**Ainagul Dauletbaeva**

Executive director – Head
of retail department of
JSC "BTA Bank"

Saule Egeubaeva

Deputy Chairperson of
JSC "Housing
Construction Savings
Bank of Kazakhstan"



During 2013, seven meetings of the Advisory Council were held, 1 being absent vote.

THE AGENDA ITEMS FOR THE MEETINGS:

- ▼ Improving the procedures for compliance verification of the automated databases for recording insured deposits of the DIS member banks with the standard requirements as established with the Contract of Adhesion.
- ▼ Consideration of amendments and additions to the following bylaws of the KDIF:
 - Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment;
 - Rules for validation of electronic databases of insured deposit records in DIS member banks against the standard requirements as established with the Contract of Adhesion;
 - Rules for processing payouts to depositors of a DIS member bank in forced liquidation;
 - Contract of Adhesion.
- ▼ The order of entitling the DIS member banks to use the "Mobile inspection" module of the "SaIT-Inspect" Information System.

In consideration of the agenda, the Board of Directors shall consider the views of the Advisory Council.

RISK MANAGEMENT SYSTEM

In compliance with the established procedures and the requirements under the legislation of the Republic of Kazakhstan, the KDIF shall follow up a regular assessment of the operations-specific risks. As most material risks associated with operations have been identified, in relevance with its classification, sources, and potential areas that could be affected, the relevant departments of the KDIF are assigned development of detailed action plans for the upcoming years to minimize the material risks. The action plans are subject to approval by the Board of Directors. Complete, timely, and efficient fulfillment of the action plans will allow increased effectiveness of operations, elimination or mitigation of the risks associated with negative developments which would affect the operations in future, as well as increased level of compliance with the IADI Core Principles and the global best practices in deposit insurance.

To ensure independent assessment of the risk management and internal control systems, the KDIF employs an independent assurance firm on annual basis. In line, appropriateness of risk assessment practices by the KDIF is audited by Internal Control Department of the National Bank of Kazakhstan on regular basis.

In 2013, the KDIF developed the revised draft Risk Management Procedure on the basis of recommendations given by independent assurance firm, with consideration of operations-specific matters. The procedure is subject to approval in the 2-nd half of 2014.

In 2013, the KDIF introduced as set of initiatives dedicated to qualitative evolution of the risk management practices in regard to all material risks. The actions of the KDIF to minimize the material risks which are historically inherent to a deposit insurance organization, are listed in the following table. The risks that apply to operations of the KDIF remain of generally acceptable (low or medium) level.



THE KEY OPERATIONS' FEATURES

RESPECTIVE ACTIONS FOR RISK MITIGATION

Development of procedures for payouts to depositors of a member bank in forced liquidation

- ➔ Regular inspections of accounting and record keeping practices that apply to insured deposits with the member banks, commencing as early as 2009
- ➔ Development of information systems "SaIT-Inspect", "SaIT-Payout"
- ➔ Enhancing by-laws that establish the order for insured deposit register export to further improve the quality of data and reduce the time of export
- ➔ Entitling the DIS member banks to use the "SaIT-Inspect" Information System to autonomously test the insured deposit registers with subsequently addressing the identified gaps and discrepancies
- ➔ Development of the KDIF bylaws which establish the order for processing payouts to depositors of a DIS member bank in forced liquidation

Adequacy of special reserve for payouts

- ➔ Additional capitalization of the KDIF by the Sole Shareholder on annual basis (i.e. by 10% annually)
- ➔ Qualitative evolution of investment management strategy
- ➔ Development of Methodology for establishing target reserve ratio of special reserve for payouts
- ➔ Revision of the "BATA" Differential Premium System
- ➔ Back-up funding arrangements in case of special reserve deficit being established by law, i.e. additional and ex-post premiums by member banks, funding arrangements with the National Bank of Kazakhstan

Recovery of the special reserve funds in liquidation proceedings

- ➔ Membership of the KDIF representatives in temporary administration, liquidation commission, and creditors committee of a member bank in forced liquidation
- ➔ Availability of efficient alternative resolution methods, i.e. establishment of bridge institution, purchase-and-assumption transaction, and other measures

Investment management

- ➔ Revision of investment management strategy on annual basis
- ➔ Placement of the KDIF's funds with highly-rated, low-risk financial instruments

THE 2013 DEVELOPMENTS IN BANKING SECTOR

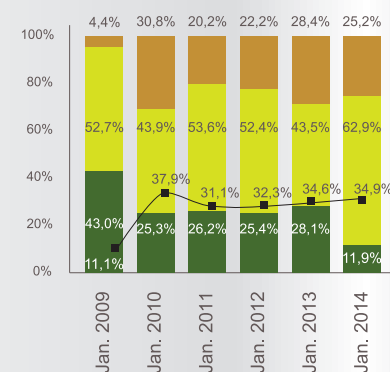
Over 2013, aggregate assets of Kazakhstani banks gained 1.6 trillion KZT (or 11.5% year-to-year). By year end, 2013, aggregate assets reached 15.5 trillion USD. An increase in deposits in corporate and retail business segments by 15.4% was the key driver for the gain in deposits up to the balance 9.8 trillion tenge. Over 2013, medium-sized banks have shown the relatively high growth dynamics.

Aggregate shareholders' equity of member banks gained 72 billion tenge (+3.6%) and reached 2.1 trillion tenge.

In 2013, aggregate loan portfolio in second-tier banks gained 1.7 trillion tenge (14.6%), and amounted to 13.3 trillion tenge. The historic trend to deterioration in asset quality, particularly the aggregate loan portfolio, extended. The same period last year, the share of non-performing loans approached 35.9% of the aggregate loan portfolio of banking sector, and by the end of 2014, NPL reached 36.9%. The loans classified as standard declined 1.7 trillion tenge (by 2 times). Loans classified as doubtful gained 66%. Bad loans gained 1.8%.

The overall structure of aggregate loan portfolio can be outlined as follows. The share of loans classified as standard is 11.9%. The share of loans classified as doubtful is 62.9%. The share of bad loans is 25.2%.

Trends in loan portfolio balances of DIS member banks (2009– 2014)



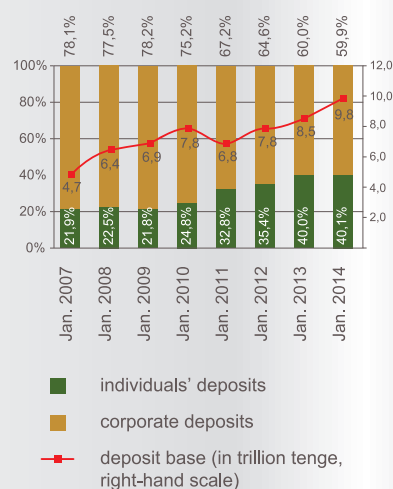
TRENDS IN DEPOSIT BALANCES

As at 1 January 2014, the number of DIS member banks remained 35. Aggregate gain in corporate and retail deposits was 1.3 trillion tenge (15.4%), up to the balance of 9.8 trillion tenge. The share of bank deposits in the aggregate banks' liabilities accounted for 73.5%. Aggregate balance of individuals' deposits gained 15.7% up to the balance 3.9 trillion tenge.

As at year end, 2013, corporate deposits prevail in aggregate deposit balances (59.9%), with trend to slowdown in growth rates on aggregate basis. Retail deposits were in steady trend to growth, what indicates significant interest of Kazakhstani banks in developing retail business segment. Some of the medium-sized and small banks were following very "aggressive" strategies by winning over clients of other banks via extended scope of the deposit banking products with very attractive rewarding conditions, including eligibility to participate in various distributions involving monetary awards or in-kind prizes, and entitlements for favorable conditions on other banking products, as well as advantageous terms for accruing interest on deposit.

Over 2013, the annual growth in retail deposits slowed down to 15.7% (compared to 23.6% over 2012). In overall assessment of year-to-year trends in aggregate retail deposit balances with the member banks in 2013, a significant shift towards foreign currency deposits in 3rd quarter 2013 must be mentioned. This trend follows slight weakening of the National currency by 1.9% over the quarter (by 1.6% in 2012, by 0.6% in 2011), which was followed by slowdown in growth of deposit balances in tenge to 6.5% (a 135.6 billion tenge gain), and, consequently, increase in deposit balances in foreign currency up to 30% (an equivalent of 400.4 billion tenge gain). The aggregate share of deposit balances in tenge resulted in 56% (versus 60.8% in 2012). The aggregate share of deposit balances in foreign currency resulted in 44% (versus 39.2% in 2012).

Trends in corporate and retail deposit balances



JSC "KAZAKHSTAN DEPOSIT INSURANCE FUND"

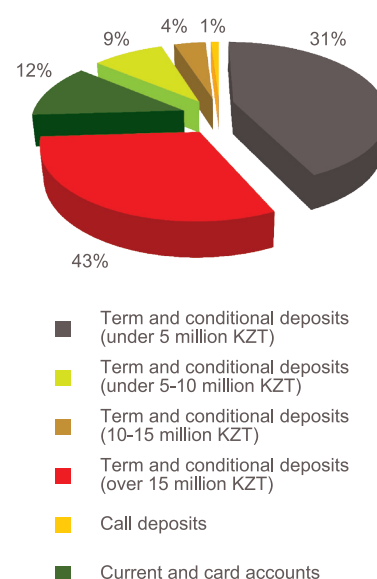
*Trends in aggregate deposit balances in
tenge and foreign currency (in %)*

	01.01.2009	01.01.2010	01.01.2011	01.01.2012	01.01.2013	01.01.2014
Deposit balances (total)	3,6%	29,1%	16,2%	22,6%	23,6%	15,7%
In tenge	-3,5%	-3,5%	48,6%	27,9%	29,7%	6,5%
In foreign currency	15,3%	74,4%	-8,7%	16,0%	15,2%	30,0%

The major gain in retail deposits was shown by JSC "Halyk Bank of Kazakhstan" (113.3 billion tenge, or 16.5%), JSC SB "Sberbank of Russia" (104.8 billion tenge, or 89.2%), JSC "Kaspi Bank" (89.0 billion tenge, or 27.9%), JSC "Housing Construction Savings Bank of Kazakhstan" (63.4 billion tenge, or 48.3%), JSC "Tsesnabank" (55.0 billion tenge, or 34.7%), and JSC "Eurasian Bank" (42.0 billion tenge, or 43.1%). The gain in aggregate deposit balances placed by these six banks accounted for 75.4% annual aggregate deposit balances gain by all member banks.

Term deposits (3.4 trillion tenge, or 87%) took the major share in aggregate individuals' deposit balances, with annual gain 494.1 billion tenge (16.7%) over 2013. Funds balances with current and card accounts resulted in share 12% aggregate deposit balances, with annual gain 42.4 billion tenge. Demand deposit balances resulted in share 1% aggregate deposit balances, or 36.2 billion tenge with annual loss 0.4 billion tenge over the reporting year.

Increase in aggregate individuals' deposit balances mainly followed the increase in term deposits over 15 million tenge in foreign currency, which gained 272.6 billion tenge (increase by 33.1%). Over the year the large deposits over 15 million tenge gained 222.2 billion tenge (14.9%) mainly following the decrease in the deposits in National currency by 50.4 billion tenge. Balances of term deposits under 5 million tenge gained 189.9 billion tenge (18.4%), deposits in value 5 million up to 15 million tenge gained 82.1 billion tenge (19.3%).

*Structure of retail deposits by
the major categories***DEVELOPMENTS IN THE DEPOSIT
INSURANCE SYSTEM MEMBERSHIP**

The effective-to-date legislation provides for mandatory membership in the deposit insurance system for those banks which hold license for acceptance of deposits of individuals and opening and maintenance of the individuals' accounts. 35 second-tier banks out of 38 were members of the deposit insurance system.

By the respective Resolutions of the Board of National Bank of the Republic of Kazakhstan, the licenses for conducting banking and other operations in part of acceptance of deposits of individuals and opening and maintenance bank accounts of individuals of the following second-tier banks were suspended: JSC "TAIB Kazakh Bank" (for non-fulfilment of the requirements as established with the effective legislation of the Republic of Kazakhstan commencing 1 November 2012 for 6 months), JSC "AsiaCredit Bank" (for regular non-fulfilment of the requirements as established with the Law of the Republic of Kazakhstan "On counteraction of legitimization of proceeds of crime (money-laundering) and terrorism-financing" commencing July 2013 for 3 months), JSC "Subsidiary Bank "RBS Kazakhstan" (for regular non-fulfilment of the requirements as established with the Law of the Republic of Kazakhstan "On counteraction of legitimization of proceeds of crime (money-laundering) and terrorism-financing" commencing November 2013 for 1 month).

In line, following the changes in ownership and subsequent State re-registration or re-branding, names of second-tier banks changed. Particularly, JSC "Home Credit Bank" changed its name to JSC "Subsidiary Bank "Home Credit and Finance Bank" in April 2013, JSC "Senim Bank" changed its name to JSC "Qazaq Banki" in June 2013.

SPECIAL RESERVE FOR PAYOUTS

Irrespective of its mandate (commencing with being a pay-box system, and up to a sophisticated loss-minimizer system), a deposit insurance organization from any jurisdiction shall accumulate special reserve for payouts either *ex-ante* (i.e. a regular prior accumulation) or *ex-post* (i.e. as necessary upon the insured event). The special reserve funds are further used for payouts to depositors of a forcibly liquidated bank.

The KDIF applies hybrid method for accumulation of the special reserve for payouts. In its accumulation, *ex-ante* method is applied in line with the *ex-post* funding arrangements.

As at 31 December 2013, the KDIF's special reserve for payouts reached 172.4 billion tenge.

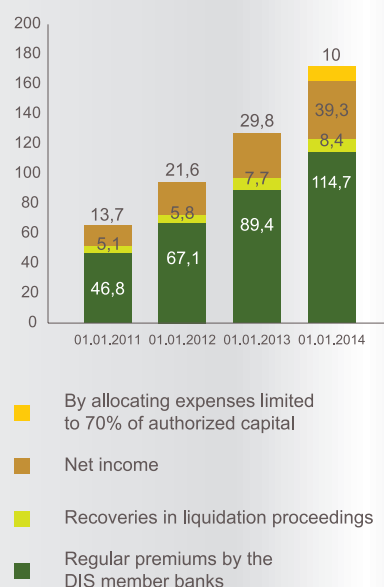
Of the major share in the special reserve composition are regular premiums paid by member banks (66.5%). In comparison with the beginning of the reporting year, regular premiums of member banks gained 25.2 billion tenge, and accounted for 114.7 billion tenge as at year end, 2013.

The KDIF reported net cumulative income 9.5 billion tenge for years 2000 – 2012, which resulted 22.8% share in the composition of special reserve for payouts versus 23.5% as at year end 2012. Receivables associated with recoveries in liquidation of OJSC "Komirbank", JSC "Nauryz Bank Kazakhstan", and JSC "Valut-Tranzit Bank" gained 748 million tenge, resulting in balance 8.4 billion tenge.

In December, 2013 a respective resolution of the Sole Shareholder provided for 10 billion tenge increase in special reserve for payouts by allocating the costs limited to the 70% share Kazakhstan Deposit Insurance Fund's authorized capital in accordance with the Deposit Insurance Law.

The KDIF is entitled to use authorized capital as reserve funding in deficit of special reserve for payouts. Over the reporting year, the authorized capital was increased by 10% resulting in balance 161.1 billion tenge. At the end of 2013, the amendments to legislation were made to increase the share of authorized capital from 50% up to 70% for replenishment of the special reserve for payouts. This amendment becomes effective 1 January, 2014.

Special reserve for payouts composition (in billion tenge)



METHODOLOGY FOR ESTABLISHING TARGET RESERVE RATIO OF SPECIAL RESERVE FOR PAYOUTS

In order to mitigate the risk of special reserve deficit, as well as for optimization of assignment of differential premium rates for member banks, to develop and implement special methodology for establishment of target special reserve ratio is global best practice in deposit insurance.

The issue of adequacy of special reserve is one of critical importance for any deposit insurance organization due to materiality of this factor to financial sustainability of a deposit insurance organization, determination of the potential costs the deposit insurance organization would incur, and the respective financial needs, as well as its applicability for determination of further actions of a deposit insurance organization towards revision of differential premium rates assigned for member banks' classification groups, the investment management strategy or other actions.

In accordance with internationally-accepted practices, in assessment of special reserve' adequacy it is recommended to take into account the following preconditions:

- ➔ Special reserve's balances shall be sufficient to cover the potential costs (including payouts to depositors of a forcibly liquidated member bank) in case of very negative developments in the banking sector, but not in case of systemic banking crisis
- ➔ Target reserve ratio must be established on a flexible basis due to the need in continuous revision of the adequacy ratio in regard to coverage limit and value of contingent liabilities of the deposit insurance organization, and the developments in the banking sector.

Two approaches are employed for assessment of special reserve's adequacy:

1. expert opinion (i.e. the probability of default by a member bank is not considered),
2. risk assessment (i.e. the probability of default by a member bank is considered).

To employ the risk assessment approach (based on assessment of risk of default of a member bank) is global best practice in deposit insurance.

In accordance with the Deposit Insurance Law, the target special reserve ratio must be established at the level not less than 5% aggregate retail deposit balances in second-tier banks. This ratio was established on the basis of expert opinion, and is subject to certain limitations. In this regard, in the beginning of 2012, the KDIF commenced development of its proprietary methodology for establishing the target special reserve ratio with consideration of the parameters of financial viability of member banks, the potential funds outflows associated with payouts to depositors in case of forced liquidation of a member bank, and other parameters.

In February, 2013, the Board of Directors reviewed the enhanced methodology for establishing the target special reserve ratio. In this regard, the target special reserve ratio for year 2013 is established at the level 7.8% assessment base. The actual level of special reserve was 6.2%.



DIFFERENTIAL PREMIUM SYSTEM

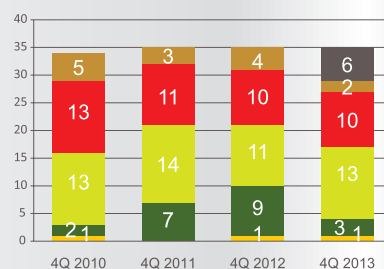
Pursuant to the Core Principles for effective deposit insurance systems, implementing differential premium system, which implies differential or risk-based assignment of premiums to member banks, allows mitigating moral hazard among the members of deposit insurance system and maintaining market discipline. Differential premium system is developed for adequate assessment of the risks of banking sector and certain financial institutions, and appears to be fair in comparison with flat rate premium system, as far as it gives evident incentives for member banks to enhance the corporate governance practices and to improve the financial results. The key features of such system is its transparency for member banks and confidentiality of the assigned ratings.

During 2013, a regular revision of methodology for determination of differential premium rates was accomplished. The KDIF arranged Joint Working Group with representatives of member banks and the regulatory authority. The Joint Working Group members introduced their comments and opinions on the revised “BATA” DPS indicators, which were tested against their economic relevance. As a statistical test of the actual and proposed indicators, the KDIF processed the datasets based on the indicators’ calculation results (76 indicators, 24 reporting periods). Threshold analysis was applied to those indicators which passed the statistics test. The results obtained were discussed at the Joint Working Group meetings. The revision continued from February to June 2013. Based on the results, additions and amendments were made to the indicators of capital adequacy, asset quality, and earnings ratios. A new indicator Q-6 (efficiency of a member bank’s operations) was introduced, the grade schedule for quantitative and qualitative indicators was revised. Furthermore, the 6th special qualification group “S” was established for those member banks which offer interest rates higher than the rate recommended by the KDIF.

Differential premium rates schedule

Classification group	A	B	C	D	E	S
Differential premium rate (in % of individuals’ deposit balances)	0.04	0.08	0.11	0.19	0.38	0.5

Distribution of member banks among the BATA DPS classification groups



Within the framework of differential premium system “BATA”, over the reporting year three member banks (out of 35 member banks) strengthened their positions and moved up to a group with lower differential premium rate. 18 member banks retained their positions, and 13 member banks had weaker positions moving down to a group with higher differential premium rate.

For the 7 years since its establishment, Differential Premium System “BATA” has been subject to revision and enhancement, and demonstrated high efficiency in assigning classification to, and giving incentives for the member banks to improve financial viability indicators.

INVESTMENT MANAGEMENT

In order to safeguard and ensure sustainable growth of its assets, a deposit insurance organization should realize effective and prudent investment management practices and ensure placement of funds with the most liquid financial instruments with adequate earnings.

As at 31 December 2013, total assets of the Kazakhstan Deposit Insurance Fund resulted in balance 338.1 billion tenge (a year-to-year increase by 19.8%, or 55.8 billion tenge).

The National Bank of the Republic of Kazakhstan serves as trustee. Delivery of this service is stipulated in trust management contract.

Scope of the financial instruments and the investment management practices are established in accordance with the effective legislation of the Republic of Kazakhstan. In investment management practices, the trustee shall follow the KDIF Investment Strategy, which is determined and approved by the KDIF Board of Directors.

As at the end of the period, value of assets in investment management was 329,3 billion tenge (97,4% total assets). In 2013, the KDIF reported 19 billion tenge investment income (31.6% gain compared to the respective period of the previous year). Over 2013, the value of the investment portfolio increased by 53,8 billion tenge (19,5%).

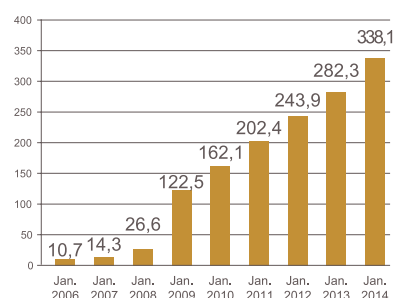
In consideration of developments in the banking sector and foreign exchange market, fluctuations in earnings of certain financial instruments and other factors, the KDIF's Board of directors has the right to make amendments to the KDIF investment management strategy.

Since 2008 on, the KDIF in coordination with the Government of the Republic of Kazakhstan and the regulatory authorities has been engaged in the investment income tax exemption effort. The KDIF repeatedly initiated the discussion with the authorized units of Ministry of Finance, Ministry of Economy and Budget Planning and the National Bank of the Republic of Kazakhstan. Furthermore, the KDIF actively participated in the meetings of the special task force for making amendments to the Tax Code of the Republic of Kazakhstan, and initiated discussion of this issue at the meetings with the representatives of the Upper and Lower Chambers of Parliament of the Republic of Kazakhstan (Senate and Mazhilis). As a result of this effort, the respective amendments to the Tax Code of the Republic of Kazakhstan were made. Simultaneously, amendment to Deposit Insurance Law in part of accounting of proprietary assets and the special reserve for payouts assets on a segregated basis was made.

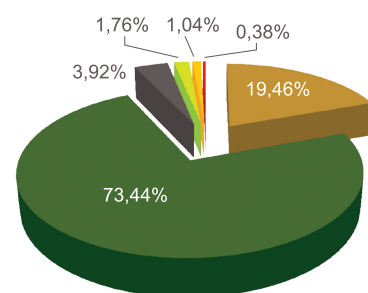
In this regard, in December 2013, work commenced towards development of the respective amendments to the draft investment management policy, investment management strategy, and the trust investment management agreement in line with realization of segregated accounting practices via splitting financial instruments' portfolio into portfolio of special reserve assets and proprietary assets portfolio:

- ➔ authorized capital of the KDIF being placed with proprietary assets portfolio,
- ➔ regular premiums paid by member banks, receivables associated with recoveries in liquidation proceedings, investment income and other receivables as per approval by the Sole Shareholder, including the investment income reported on the proprietary assets portfolio being placed with the portfolio of special reserve assets.

Total assets in dynamics – 2006-2013 (in billion tenge)



Investment portfolio composition as at 31 December 2013



- Short-term sovereign bonds
- US Treasury securities
- Deposits placed with NBRK in tenge
- Repurchase agreements
- Long-term sovereign bonds
- Bonds of JSC Mortgage Organization "Kazakhstan Mortgage Company"

ENHANCING THE PROCESSES OF REIMBURSING DEPOSITORS

In accordance with the Core Principles for effective deposit insurance systems, one of the principles of major importance for a deposit insurance organization is ensuring prompt access for depositors to their insured funds in forced liquidation of a member bank. In order to ensure prompt reimbursement and to sustain social peace, a deposit insurance organization shall have available the systems and processes that enable quick and efficient processing of information on insured deposits. In this regard, regular inspections by the KDIF to verify compliance of the automated databases for insured deposit records of member banks with the terms and conditions of the Contract of Adhesion (hereinafter referred to as compliance verification inspections) can be accounted for as an early response measure to ensure reliability of depositor records kept by member banks.

In February 2009 the KDIF commenced compliance verification inspections with member banks on a regular basis. Earlier in 2007, for establishing the uniform automated recordkeeping format and order of maintenance, the uniform requirements were introduced for the DIS member banks. The experience obtained demonstrated that to verify compliance of depositor records with the requirements of the KDIF without employing process-specific IT tool was practically impossible due to large labor intensity of these processes. So, in 2011 the KDIF commenced development of the Information System “SaIT - Inspect” (the “SaIT-Inspect” IS). Later in 2012, upon putting the IS into test operation, the KDIF commenced compliance verification inspections with the member banks with use of the “SaIT-Inspect” IS. As for today, the KDIF has conducted compliance verification inspections via the “SaIT-Inspect” IS at seven member banks.

The results obtained with the compliance verification inspections demonstrate that the major errors and omissions of the member banks in processing depositor data are either missing depositor’s identification information or missing banking documentation, and errors and omissions in recording. Those errors and omissions are mainly allowed by operations staff of member banks in the record entry to a bank’s automated information system. The “SaIT-Inspect” IS allows the KDIF promptly verify the quality of depositor records and assess the capacity of bank’s automated information system to prevent errors and omissions that could have been allowed by bank’s staff.

In line with quality of depositor records, within a compliance verification inspection the capacity of a bank’s automated information system to deliver depositor records in compliance with the required form within the established deadline (5 business days) is tested. Within the period 2009 – 2013, the KDIF accomplished compliance verification inspections in 32 member banks, including 5 being done in 2013, 3 of which being conducted repeatedly to verify elimination of the discrepancies which had been identified in earlier inspections.

These actions were followed by entitling the member banks to handle the tests via the “SaIT-Inspect” IS autonomously. In the reporting year, upon official request by three member banks the KDIF installed the “SaIT-Inspect” software to the equipment of those banks. As far as the KDIF is allowed access to depositor records exclusively upon on-site inspections with the member banks, entitlement of the member banks to use the “SaIT-Inspect” IS autonomously allows increasing quality of depositor records, in line with enhancing the IS in part of capacity to process data promptly and effectively via receiving feedback and comments from the member banks which are testing depositor records via the “SaIT-Inspect” IS.

In line with the “SaIT-Inspect” IS which is dedicated to raise the quality of depositor records with the member banks and, consequently, to mitigate the risks associated with delivery of incorrect depositor records by liquidation commission, commencing late 2011 the KDIF launched development of the “SaIT-Payout” Information System which is applied in the operations after forced liquidation of a commercial bank for automated processing of the functions as follows:

- ➔ verification of data being delivered to the KDIF by liquidation commission of a forcibly liquidated bank for accuracy and completeness,
- ➔ recording and control over the quality of reporting forms for payouts to depositors being delivered to the KDIF by agent bank for processing payouts to depositors, and identification of payments made by error,
- ➔ generation of various reporting forms to enable analysis and comprehensive export of the data being maintained with the “SaIT Payout” IS.

In August 2013, the KDIF finalized development of the “SaIT-Payout” IS and put the IS into test operation. The KDIF submitted the required deliverables to the Intellectual Property Rights Committee of Ministry of Justice of the Republic of Kazakhstan for obtaining Certificate of State Registration of Rights to the information systems “SaIT-Inspect” and “SaIT-Payout”.

End of November, 2013 a complex stress-testing was conducted to examine the capacity to process payouts to depositors in case of withdrawal of the license for conducting banking operations from a member bank. The stress-testing revealed the weaknesses which further will be addressed.

REIMBURSING DEPOSITORS IN FORCED LIQUIDATION OF A MEMBER BANK

Over 14 years since its establishment, the experience of successful realization by the Kazakhstan Deposit Insurance Fund of its core functions via processing payouts to depositors of the three forcibly liquidated member banks facilitated realization of its mission by the KDIF, i.e. to strengthen people's trust in the National banking sector, the financial system, and the KDIF itself.

In 2013 the proceedings associated with forced liquidation of JSC "Nauryz Bank Kazakhstan" and JSC "Valut-Tranzit Bank" continued.

JSC "NAURYZ BANK KAZAKHSTAN"

Forced liquidation of Nauryz Bank Kazakhstan commenced in November, 2005. The KDIF reimbursed depositors at total amount 679.5 million tenge, or 88% of total claims.

As at the end of 2013, liquidation commission of Nauryz Bank Kazakhstan reimbursed 88% of the KDIF's total claims arising with payouts to depositors. Since 2009, the liquidation commission has not reimbursed any creditors' claims, including the claims by the KDIF. The basic rationale for delay in reimbursement is hindered legal proceedings associated with collection of accounts receivable from three major borrowers of the bank. The bank in liquidation has no other receivables for collection.

In accordance with legislation of the Republic of Kazakhstan, an authorized representative of the KDIF will be entitled membership in Creditor Committee until the claims of the KDIF are settled. Currently an authorized representative of the KDIF acts as Creditor Committee Chairperson.

JSC "VALUT-TRANZIT BANK"

Forced liquidation of JSC "Valut-Tranzit Bank" commenced in March 2007. The KDIF reimbursed depositors at total value 13.9 billion tenge. Balance of depositor claims is 2% total depositors' claims. Similarly to the deposits in JSC Nauryz Bank Kazakhstan, this balance are the deposits of absolutely small value which have not been demanded back by depositors.

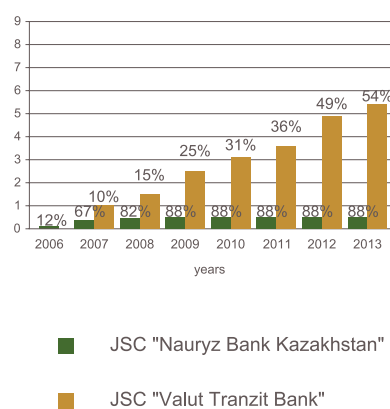
As at the end of 2013, the liquidation commission of Valut-Tranzit Bank has reimbursed the KDIF at value 7.75 billion tenge (54.71%).

Authorized representatives of the KDIF act as Liquidation Commission Deputy Chairman and Creditor Committee Deputy Chairman.

PROGRESS IN SETTLEMENT OF THE KDIF'S CLAIMS BY THE LIQUIDATION COMMISSIONS

In 2013 the task force comprised of representatives from the Kazakhstani state authorities – Financial Supervision Committee, General Prosecutor's Office, Ministry of Justice, Supreme Court, Committee for Judicial Acts Administration, Financial Police of the Republic of Kazakhstan, Ministry of Finance, the local administration of the Karaganda region, and the Kazakhstan Deposit Insurance Fund continued its operations. In 2012, the task force held five meetings to address the practical issues of bank liquidation and to identify possible solutions in co-ordination with other task force representatives. For instance, joint action plan was developed by the liquidation commission and Department of Judicial Acts administration for collection of accounts receivable.

Settlement of the KDIF's claims by the liquidation commissions, cumulative (in billions tenge)



DEVELOPING LEGAL AND REGULATORY FRAMEWORK

The functions and objectives of the deposit insurance system are determined by Constitution of the Republic of Kazakhstan, the Civil Code of the Republic of Kazakhstan, the applicable laws and legal acts of the Republic of Kazakhstan, and decisions by the Sole Shareholder and the Board of Directors. In this regard, the KDIF is actively involved in developing the legal and regulatory framework in deposit insurance and banking supervision and regulations.

In 2013, in consideration of the KDIF's focus at maintaining social stability, in close coordination with Government of the Republic of Kazakhstan, tax exemption for investment income on special reserve assets was approved. The respective amendments and additions are made to the Tax Code of the Republic of Kazakhstan. In this regard, commencing 1 January 2014 the KDIF shall introduce accounting of proprietary assets and assets of special reserve for payouts on segregated basis. Furthermore, in order to ensure its capacity to reimburse depositors promptly, the KDIF initiated amendments to the Deposit Insurance Law which entitle using up to 70% authorized capital in payouts to depositors of a forcibly liquidated bank.

BACK IN 2013, THE KDIF WAS ACTIVE IN PROCESSING LEGAL AND REGULATORY ISSUES, FOR INSTANCE THE FOLLOWING:

- ➔ Conservatorship, and mandate and powers assigned to temporary administration
- ➔ Purchase and assumption transaction
- ➔ Bail-in, resolution, and liquidation of commercial banks
- ➔ Issuance and circulation of bank deposit certificates
- ➔ Determining scope of information constituting banking secrecy in accordance with effective legislation of the Republic of Kazakhstan
- ➔ Closure of dormant accounts with a forcibly liquidated bank

Over the year, the KDIF was active in a number of joint task forces for development of banking legislation.

Apart of this, during the reporting year the KDIF was active in enhancing by-laws which establish grounds for the KDIF's operations. For instance, amendments and additions were made to the Contract of Adhesion, Methodology for determination of the target reserve ratio, Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment, Rules for verification of compliance of the member-banks' database on insured deposits with the standard requirements as established with the Contract of Adhesion, the Action Plan for addressing the recommendations based on the risk assessment and business processes review report by Independent Assurance Firm, Rules for archive stores administration, Rules for processing payouts to depositors of a DIS member bank in forced liquidation, as well as Action Plan for development of the deposit insurance system in the Republic of Kazakhstan.



MAINTAINING PUBLIC AWARENESS

In accordance with the Core Principles, ensuring public awareness of presence and operations of deposit insurance system and communicating its inherent advantages and limitations is one of the key priorities for a deposit insurance organization in any jurisdiction.

The KDIF historically pays particular attention to the actions associated with maintaining public awareness, and employs a wide range of media and communication channels to ensure public awareness in such issues as presence and operations of deposit insurance system, the maximum coverage limit, and order and conditions for reimbursement. Placement of information via TV, radio, and press (country-wide and regional newspapers) is scheduled with Annual Public Awareness Concept. In 2003 the KDIF launched proprietary Internet-resource www.kdif.kz, and since 2008 the KDIF has been directly processing enquiries by depositors via proprietary toll-free hotline telephone number 8 8000 80 10 20. Via hotline, depositors from all regions of the Republic of Kazakhstan can dial free of charge and address any enquiry on the deposit insurance-specific matters. In line, the KDIF prints and dispatches series of information brochures and leaflets among the member banks for further distribution to depositors.

In order to ensure popular character of broadcasted information on deposit insurance, the KDIF annually employs professional producers to make video and audio advertising sets, which are interesting and convey information in easy and comprehensive manner.

Within the year, senior management and employees of the KDIF participated in numerous TV-programmes and newscasts on the deposit insurance-specific matters on local TV-channels *Khabar* ("The Popular Expert" programme), and *Astana* ("Popular Finance" programme).



Visibility in 2013 in facts and figures

Television	140 casts
Radio	50 casts
Newspapers and magazines	24 400 square centimeter

Over 140 times 30-seconds information video in Kazakh and Russian languages covering basic deposit insurance-specific matters was broadcasted on television channels *Khabar* and *El Arna*, both of which are of Republic-wide coverage. Over 50 times the information audio spot was broadcasted on radio stations *Kazakh Radio* and *Retro FM*. In line, the KDIF regularly places information materials concerning the most important deposit insurance-specific matters and information art-modules which convey the details of toll-free hotline with press, including regional newspapers.

In 2013 the KDIF printed and dispatched among the member banks 25 thousand items of Depositor's Brochure "*What Do You Need To Know About Deposit Insurance*", and 100 thousands leaflets for individual depositors.

In year 2013 the KDIF first appeared in social networks by launching accounts in Facebook and Twitter.



INTERNATIONAL COOPERATION

The KDIF is a member of International Association of Deposit Insurers since 2003. In 2013, the KDIF was entitled membership in two regional committees, namely Eurasia and Asia-Pacific Regional Committees.

Over the year, the authorized representatives of the KDIF were participating in various research actions and events of the IADI, including those covering 1) resolution and recovery methods for second-tier banks and reimbursing depositors, 2) implications of bail in for deposit insurance system and its funding arrangements, 3) dealing with parties at fault in a bank failure and fraud in deposit insurance, 4) financial inclusion, 5) collection of recoveries in liquidation proceedings, 6) integrated financial services consumer protection schemes, 7) cross-border issues in deposit insurance in the IADI Asia-Pacific Regional Committee, 8) Joint Working Group on Islamic Finance. The KDIF's Authorized staff also participated in professional development programme for senior management of IADI member organizations dedicated to reimbursing depositors.

THE INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS was formed in May, 2002 as a non-for-profit organization headquartered in Bank of International Settlements (Basel, Switzerland).

VISION

To share deposit insurance expertise with the world

MISSION

To contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation

OBJECTIVES

To contribute to the stability of financial systems by promoting international cooperation in the field of deposit insurance and providing guidance for establishing new, and enhancing existing, deposit insurance systems, and to encourage wide international contact among deposit insurers and other interested parties

The KDIF also was taking active part in developing revised Core Principles for effective deposit insurance systems within the specially established Steering Committee. The planned period for accomplishment of the project and submission to Basel Committee for Banking Supervision and International Monetary Fund for revision and comments is 2014.

In February 2013, the KDIF arranged a two-day joint seminar with the Deposit Insurance Agency (Russian Federation). Within the seminar the experts of the Deposit Insurance Agency shared their expertise with employees and the senior management of the KDIF and the authorized representatives of the National Bank of the Republic of Kazakhstan and the Financial Supervision Committee on the matters specific to practical implementation of particular resolution methods. So the KDIF professionals were given a good conceptual view and knowledge based on wealth of experience of the foreign colleagues which can further be implemented for expansion of mandate and powers of the KDIF and adding functions of resolution and liquidation of a problem bank.

HUMAN RESOURCES

As at the end 2013, the KDIF's personnel plan numbered 31 full-time employees, with actual personnel number of 28 full-time employees, 10 of which being holders of PhD or Master's academic degrees in Law, Economics, Finance, Applied Mathematics, or Information Technology.

In daily operations, the KDIF employees adhere to the standards of professional and ethical conduct as applied to State officials' service.

The personnel are fully engaged in studies related to global best practice in the deposit insurance-specific matters. In 2013, the KDIF arranged attendance and participation for the personnel in International conferences, workshops and seminars dedicated to banking and deposit insurance.

In the KDIF, particular attention has always been given to sustaining the spirit of cooperation and teamwork among the staff. The KDIF regularly hosts corporate events and gatherings out either outside Almaty or in informal friendly atmosphere, and take part in sports activities of Almaty city and those hosted by the National Bank of Kazakhstan.

The key HR features as at the end of 2013

The features	Year ended 31/12/2011	Year ended 31/12/2012	Year ended 31/12/2013
Number of employees	25	28	28
Holders of PhD or Master's academic degrees	9	10	10
Average age (in years)	35	35	36
Male/Female (%)	24/76	29/71	29/71

STUDIES IN GLOBAL BEST PRACTICES IN BANKING AND DEPOSIT INSURANCE

- ✓ Revised standards on capital and liquidity for commercial banks under Basel-3
- ✓ Assessing efficiency of operations in deposit insurance
- ✓ Methods of resolution for problem financial institutions
- ✓ Matters related to practical implementation of resolution or liquidation of a financial institution based on Deposit Insurance Agency's expertise
- ✓ Processes and procedures to reimburse depositors of a failed financial institution
- ✓ Dealing with parties at fault in a bank failure and fraud in deposit insurance



AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Director
IAC Centeraudit – Kazakhstan LLP
(State audit license MFU No. 0000017)
Dated 27 December 1999
V. Radostovets
21 February 2014

To the Shareholder of Kazakhstan Deposit Insurance Fund Joint Stock Company

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Kazakhstan Deposit Insurance Fund Joint Stock Company (hereinafter referred to as the “Company”), which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statement

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, 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 Company's preparation of the financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by Company's management, as well as evaluating the overall presentation of the financial statements of the Company.

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 Kazakhstan Deposit Insurance Fund 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.

Y. Gashkova

Auditor

(Auditor Qualifying Certificate No. 0000048 issued 02.09.2011)

19, Al-Farabi Avenue, block 1 “B”

Business Center Nurly Tau, Off. 301-302

050059, Almaty

Republic of Kazakhstan

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

thousand tenge

	As at 31.12.2013	As at 31.12.2012
ASSETS		
Cash and cash equivalents	6,244,345	3,556,426
Available-for-sale financial assets	329,325,104	275,507,611
Other financial assets	2,334,226	3,172,324
Corporate income tax prepaid	115,006	
Other assets	13,122	9,074
Deferred tax asset	4,038	2,794
Property, plant and equipment	10,571	9,942
Intangible assets	30,402	10,100
TOTAL ASSETS	338,076,814	282,268,271
EQUITY AND LIABILITIES		
EQUITY		
Authorized capital	161,051,000	146,410,000
Retained earnings	3,316,469	9,678,603
Valuation reserve	(340,164)	(2,057,710)
Reserve capital	1,464,100	1,331,000
Special reserve for payouts	172,420,488	126,878,024
TOTAL EQUITY	337,911,893	282,239,917
LIABILITIES		
Corporate income tax liabilities	-	3,221
Liabilities on taxes and payments, less corporate income tax	-	1,699
Other financial liabilities	6,802	2,419
Other liabilities	158,119	21,015
TOTAL LIABILITIES	164,921	28,354
TOTAL LIABILITIES AND EQUITY	338,076,814	282,268,271

Signed for issue on behalf of the Management on 21 February 2014

B. Mazhenova

Chairperson

A. Pichitayeva

Chief Accountant



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

thousand tenge

	2013	2012
Interest income	12,395,670	9,303,663
Interest expense	(38,570)	(19,932)
Net interest income	12,357,100	9,283,731
Net income from premiums paid by member banks, proceeds from the liquidation commission	25,996,961	24,203,058
Income, less expenses from foreign currency revaluation	1,265,683	790,885
Other operating income	1,024	813
General and administrative expenses	(308,419)	(278,138)
Profit before tax	39,312,349	34,000,349
Income tax expense	1,081	(118,688)
Profit for the year	39,313,430	33,881,661
Mandatory allocation of net income from premiums paid by member banks and proceeds from liquidation commission to the special reserve for payouts	(25,996,961)	(24,203,058)
Profit after mandatory allocation	13,316,469	9,678,603
Other comprehensive income (loss):		
Gain (losses) from revaluation of available-for-sale financial assets	1,717,546	(8,817,120)
Total other comprehensive income (loss)	1,717,546	(8,817,120)
Comprehensive income (loss) for the year, less corporate income tax, attributable to the shareholder	15,034,015	861,483

Signed for issue on behalf of the Management on 21 February 2014

B. Mazhenova

Chairperson

A. Pichitayeva

Chief Accountant

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

thousand tenge

	2013	2012
I. Cash and cash equivalents flows from operating activity		
Cash and cash equivalents inflow, total	38,973,931	31,598,117
Receipt of mandatory calendar premiums	26,225,847	21,097,827
Proceeds from liquidation commission	748,000	1,915,000
Receipt of interest on deposits placed with banks	7,325	6,229
Received interest on available-for-sale financial assets	11,978,020	7,911,128
Received interest on reverse REPO transactions	3,563	1,473
Corporate income tax refund	-	664,556
Other proceeds	11,176	1,904
Cash and cash equivalents outflow, total	(428,464)	(275,812)
Payments to suppliers for goods and services	(104,789)	(111,505)
Travel expenses	(6,377)	(6,430)
Payment for employees compensation	(126,376)	(115,166)
Corporate income tax paid-in		(117,096)
Other taxes and obligatory payments to the budget	(48,023)	(40,856)
Reimbursement of deposits of individuals	(808)	(1,214)
Other disposals	(24,995)	(641)
Net cash and cash equivalents inflow (outflow) from operating activity	38,545,467	31,322,305
II. Cash and cash equivalents flows from investing activity		
Cash and cash equivalent inflow, total	116,551,901	117,730,967
Proceeds from repayment of available-for-sale financial assets	106,920,896	116,531,967
Proceeds from reverse REPO transactions	9,631,005	1,199,000
Cash and cash equivalent outflow, total	(166,898,263)	(168,322,967)
Purchase of property, plant and equipment	(4,584)	(6,478)
Purchase of intangible assets	(26,627)	(10,285)
Purchase of available-for-sale financial assets	(144,424,035)	(167,107,204)
Disposal of reverse REPO transactions	(22,443,017)	(1,199,000)
Net cash and cash equivalents inflow (outflow) from investing activity	(50,346,362)	(50,592,000)
III. Cash flows from financing activity		
Cash and cash equivalent inflow, total	14,641,000	13,310,000
Issue of ordinary shares	14,641,000	13,310,000
Net cash and cash equivalents inflow (outflow) from financing activity	14,641,000	13,310,000
IV. Net change in cash and cash equivalents	2,840,105	(5,959,695)
Effect of foreign exchange changes on cash and cash equivalent balances in foreign currency	(152,186)	39,014
V. Cash and cash equivalents, beginning of the period	3,556,426	9,477,107
VI. Cash and cash equivalents, end of the period	6,244,345	3,556,426

Signed for issue on behalf of the Management on 21 February 2014
 B. Mazhenova
 Chairperson
 A. Pichitayeva
 Chief Accountant



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

thousand tenge

	Authorized capital	Revaluation reserve	Reserve capital	Special reserve for payouts	Retained earnings (loss)	Total equity
Balance as at 31.12.2012	146,410,000	(2,057,710)	1,331,000	126,878,024	9,678,603	282,239,917
Profit for the year					13,316,469	13,316,469
Other comprehensive income (loss) for the year		1,717,546				1,717,546
Comprehensive income (loss) for the year		1,717,546			13,316,469	15,034,015
Issue of shares	14,641,000					14,641,000
Creation of reserve capital			133,100		(133,100)	
Creation of special reserve				19,545,503	(19,545,503)	
Mandatory allocation of net income from premiums of member banks and proceeds from liquidation commission to the special reserve for payouts				25,996,961		25,996,961
Balance as at 31.12.2013	161,051,000	(340,164)	1,464,100	172,420,488	3,316,469	337,911,893
Balance as at 01.01.2012	133,100,000	6,759,410	1,210,000	94,458,425	8,337,541	243,865,376
Profit for the year					9,678,603	9,678,603
Other comprehensive income (loss) for the year		(8,817,120)				(8,817,120)
Comprehensive income (loss) for the year		(8,817,120)			9,678,603	861,483
Issue of shares	13,310,000					13,310,000
Generation of reserve capital			121,000		(121,000)	
Generation of special reserve				8,216,541	(8,216,541)	
Mandatory allocation of net income from premiums of member banks and proceeds from liquidation commission to the special reserve				24,203,058		24,203,058
Balance as at 31.12.2012	146,410,000	(2,057,710)	1,331,000	126,878,024	9,678,603	282,239,917

Signed for issue on behalf of the Management on 21 February 2014

B. Mazhenova

Chairperson

A. Pichitayeva

Chief Accountant

NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

JSC "Kazakhstan Deposit Insurance Fund" was established in accordance with the Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 393 dated 15 November 1999.

The Accounting Policy of JSC "KDIF" is developed in accordance with the requirements of legislation of the Republic of Kazakhstan and International Financial Reporting Standards.

Balance of total assets as at 31.12.2013 is 338 076 814 thousand tenge.

Straight-line method is applied in depreciation of property, plant and equipment. Over the reporting period, JSC "KDIF" purchased property, plant and equipment at value 4 584 thousand tenge, and intangible assets at value 26 627 thousand tenge. No property, plant and equipment in long-term rent. No construction in progress.

No subsidiary or affiliate entities.

No investments in property.

Weighted-average method is applied to accounting of inventories.

Balance of accounts receivable is 8 054 372 thousand tenge. Balance of accounts payable is 164 921 thousand tenge.

No claims classified as substandard.

Investments are classified as available for sale. Investment portfolio is sovereign debt securities, namely bonds of Ministry of Finance of the Republic of Kazakhstan, US Treasury bonds, and bonds of Mortgage Company JSC "Kazakhstan Mortgage Company". Present value of financial instruments' portfolio is 329 325 104 thousand tenge.

Changes in shareholders' equity follow accounting of regular premiums paid by member banks both paid and in accruals, receivables from the liquidation commissions of forcibly liquidated banks for coverage of payouts to depositors.

No credit liabilities.

No dividends accrued or paid.

Total income for year 2013 is 13 662 377 thousand tenge. Administrative and other expenses for the reporting period are 345 908 thousand tenge.

Net income for the reporting year is 345 908 thousand tenge.

Deferred income tax balance as at 01.01.2014 is 4 038 thousand tenge.

Chairperson

B. Mazhenova

Chief Accountant

A. Pichitayeva



APPENDICES

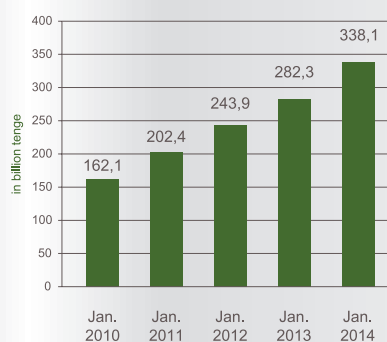
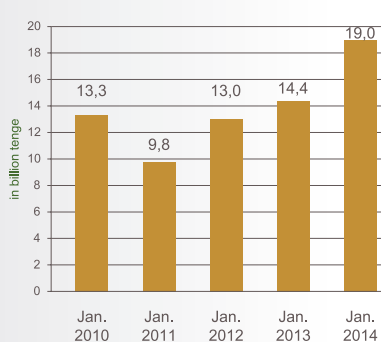
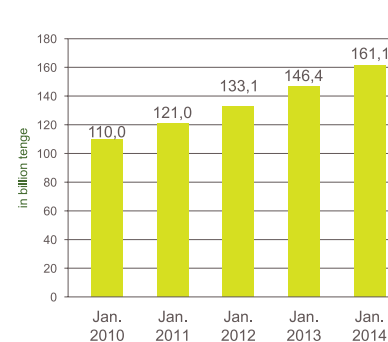
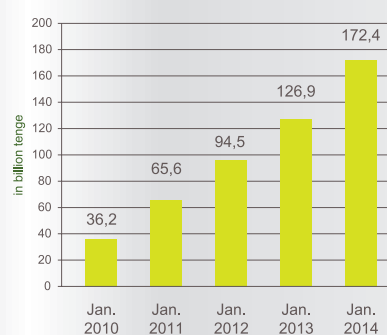
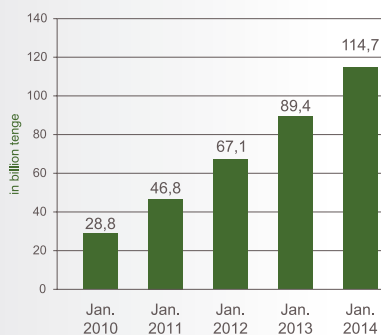
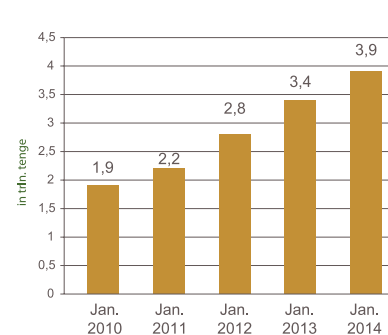
1) THE MEMBER BANKS

		Certificate of membership in deposit insurance system No.
1.	JSC "BTA BANK"	001
2.	JSC "BANK CENTERCREDIT"	002
3.	JSC "HALYK SAVINGS BANK OF KAZAKHSTAN"	003
4.	JSC "ATF BANK"	004
5.	JSC SB "RBS KAZAKHSTAN"	005
6.	JSC "TEMIRBANK"	006
7.	SUBSIDIARY OF "BANK APOALIM B.M." – JSC "BANKPOSITIVE KAZAKHSTAN"	008
8.	JSC "KAZCOMMERTSBANK"	009
9.	JSC "NURBANK"	010
10.	JSC "KASPI BANK"	011
11.	JSC "CITIBANK KAZAKHSTAN"	012
12.	JSC "DELTA BANK"	013
13.	SUBSIDIARY BANK JSC "HSBC BANK KAZAKHSTAN"	014
14.	JSC "EURASIAN BANK"	015
15.	JSC "TSESNA BANK"	016
16.	JSC "ALLIANCE BANK"	017
17.	SUBSIDIARY BANK JSC "ALFA-BANK"	018
18.	SUBSIDIARY BANK JSC "SBERBANK OF RUSSIA"	020
19.	SUBSIDIARY BANK JSC "TAIB KAZAKH BANK"	022
20.	JSC "ASIACREDIT BANK"	023
21.	JSC «QAZAQ BANKI»	024
22.	JSC "HOUSING CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN"	025
23.	JSC "ZAMAN-BANK"	026
24.	SUBSIDIARY BANK JSC "KZI BANK"	028
25.	SUBSIDIARY BANK JSC "BANK OF CHINA IN KAZAKHSTAN"	029
26.	SUBSIDIARY BANK JSC "PUNJAB NATIONAL BANK – KAZAKHSTAN"	030
27.	JSC "INDUSTRIAL AND COMMERCIAL BANK OF CHINA IN ALMATY"	032
28.	JSC "KAZINVESTBANK"	033
29.	SUBSIDIARY BANK "HOME CREDIT AND FINANCE BANK"	034
30.	SUBSIDIARY BANK JSC "NATIONAL BANK OF PAKISTAN IN KAZAKHSTAN"	035
31.	JSC "FORTEBANK"	037
32.	JSC "SHINHAN BANK KAZAKHSTAN"	039
33.	SUBSIDIARY BANK JSC "BANK VTB (KAZAKHSTAN)"	040
34.	JSC "BANK KASSA NOVA"	041
35.	JSC "BANK RBK"	042

Number of member banks, 2000 – 2013

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of member banks	16	21	22	31	34	33	33	33	36	36	34	35	35	35

2) DEPOSIT INSURANCE SYSTEM IN FACTS AND FIGURES FOR THE LATTER 5 YEARS

Assets*Net income**Authorized capital**Special reserve**Regular premiums paid by member banks**Deposits of individuals*

3) GLOSSARY

AGENT BANK	A member bank which is assigned processing payouts to insured depositors on the basis of agency services agreement with KDIF
AGGREGATE CUMULATIVE GRADE	The aggregate cumulative grade assigned to a member bank for the reporting period (a calendar quarter) which determines the rate for differential premium which is calculated in consideration of total grades of the member bank for the last consecutive seven quarters, including the reporting period (a calendar quarter)
AUTHORIZED AGENCY	The National Bank of the Republic of Kazakhstan
CERTIFICATE OF MEMBER BANK	The document which is issued by KDIF to a member bank which identifies its membership in deposit insurance system
CONTRACT OF ADHESION	The contract of adhesion of a bank to the deposit insurance system, the conditions thereof are determined by KDIF as equal to all member banks entering deposit insurance system
COVERAGE	Funds due to depositors as reimbursement for insured deposits in compliance with Law of the Republic of Kazakhstan “On compulsory insurance of deposits placed with second-tier banks of the Republic of Kazakhstan”
DEPOSIT INSURANCE SYSTEM	The complex of administration and legal actions which are stipulated by Law of the Republic of Kazakhstan “On compulsory insurance of deposits placed with second-tier banks of the Republic of Kazakhstan” which are aimed to protection of rights and lawful interests of depositors of the member banks
INSURED DEPOSIT	Certain types of deposits subject to mandatory State guarantee in compliance with Law of the Republic of Kazakhstan “On compulsory insurance of deposits placed with second-tier banks of the Republic of Kazakhstan”
MAXIMUM RECOMMENDED INTEREST RATES ON DEPOSITS	The maximum interest rates on newly placed deposits of individuals (in tenge or foreign currency) with the member banks which are established by Board of Directors and recommended to member banks for consideration
MEMBER BANK	A bank being member of deposit insurance system. Membership implies that the obligations of a member bank to reimburse insured depositors are subject to guarantee in compliance with Law of the Republic of Kazakhstan “On mandatory insurance of deposits placed with the second-tier banks of the Republic of Kazakhstan”
PREMIUMS	Premiums paid by member banks in compliance with Law of the Republic of Kazakhstan “On compulsory insurance of deposits placed with second-tier banks of the Republic of Kazakhstan”
QUALITY INDICATORS	The indicators to measure quality of corporate governance practices in member banks
QUANTITATIVE INDICATORS	The indicators to measure financial results of operations of a member bank

4) LIST OF ABBREVIATIONS

AFK	The Association of Financiers of Kazakhstan
APRC	IADI Asia-Pacific Regional Committee
CIS	Commonwealth of Independent States
Compliance verification inspections	The inspections for verification of compliance of the IT databases of member banks with the Contract of Adhesion
DIS	Deposit insurance system
DPS	Differential premium system
EARC	Eurasia Regional Committee
FSC, Financial Supervision Committee	Committee for the control and supervision of the financial market and financial organizations of the National Bank of the Republic of Kazakhstan
IADI	International Association of Deposit Insurers
IMF	International Monetary Fund
IS	Information system
JSC	Joint Stock Company
Member banks	Second-tier banks incorporated in the Republic of Kazakhstan being members of deposit insurance system
NBK, NBRK	The National Bank of the Republic of Kazakhstan
RF	Russian Federation
STB	Second-tier banks
The Deposit Insurance Law	Law of the Republic of Kazakhstan "On mandatory insurance of deposits placed with second-tier banks of the Republic of Kazakhstan"
The KDIF	JSC "Kazakhstan Deposit Insurance Fund", the deposit insurance organization in the Republic of Kazakhstan
The Methodology	The Methodology for determining the special reserve target ratio
The Rules	Rules for determining the mandatory regular, ex-post and extraordinary premiums and establishing the order of payment