БАНК АСТАНА·ФИНАНС

Bank "Astana-finance" JSC

Financial Statements

for the year ended 31 December 2012

Contents

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

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

Independent Auditors' Report

To the Board of Directors of Bank "Astana-Finance" JSC

We have audited the accompanying financial statements of Bank "Astana-Finance JSC (the "Bank"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Bank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(e) to the financial statements, which describes that under the legislation of the Republic of Kazakhstan starting from 1 July 2011 the Bank has to maintain a minimum total capital of KZT 10,150,000 thousand. As at 31 December 2012 the Bank was not in compliance with the minimum total capital requirements. These conditions, along with the other matters described in Note 2(e), indicate the existence of a material uncertainty that may cast significant doubt about the Bank's ability to continue as a going concern.

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

Ashley Clarke
Audit Partner

KPMG Audit LLC

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

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

26 April 2013

	Note	2012 KZT'000	2011 KZT'000
Interest income	4	5,007,505	2,624,412
Interest expense	4	(1,457,674)	(808,212)
Net interest income		**3,549,831**	**1,816,200**
Fee and commission income	5	359,551	260,658
Fee and commission expense	6	(30,331)	(31,456)
Net fee and commission income		**329,220**	**229,202**
Net foreign exchange gain		89,326	50,019
Net gain on available-for-sale financial assets		-	70,338
Other operating income, net		49,339	65,894
Operating income		**4,017,716**	**2,231,653**
Impairment losses	7	(1,179,286)	(1,078,987)
Reversal of contingent liabilities		-	35,280
Personnel expenses	8	(959,818)	(716,293)
Other general administrative expenses	9	(560,876)	(438,948)
Profit before income tax		**1,317,736**	**32,705**
Income tax (expense)/benefit	10	(24,372)	50,082
Profit for the year		**1,293,364**	**82,787**
Other comprehensive income, net of income tax			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(409,524)	57,305
- Net change in fair value transferred to profit or loss		-	(70,338)
Other comprehensive income for the year, net of income tax		**(409,524)**	**(13,033)**
Total comprehensive income for the year		**883,840**	**69,754**

The financial statements as set out on pages 5 to 57 were approved by the Management Board on 26 April 2013 and were signed on its behalf by:

Казахстан Республикасы Алматы қаласы Акционерное общество Банк «Астана-финанс» банкі Акционерлік қоғамы

Shaimakhanov Yerbol Umaradilovich
Chairman of the Management Board

Ospanova Gulmira Muratovna
Chief Accountant

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

	Note	2012 KZT'000	2011 KZT'000
ASSETS			
Cash and cash equivalents	11	16,485,215	17,759,217
Available-for-sale financial assets			
- Held by the Bank	12	5,956,883	3,070,171
- Pledged under repurchase agreements	12	-	3,296,222
Mandatory reserve with the National Bank of the Republic of Kazakhstan	11	952,243	903,111
Loans to customers	13	28,647,055	23,197,931
Property, equipment and intangible assets	14	448,412	479,569
Deferred tax asset	10	45,460	69,832
Other assets	15	612,985	606,932
Total assets		**53,148,253**	**49,382,985**
LIABILITIES			
Deposits and balances from banks and other financial institutions	16	1,647,693	2,113,808
Current accounts and deposits from customers	17	40,377,067	34,008,836
Amounts payable under repurchase agreements	18	-	3,000,056
Other liabilities	19	91,222	111,854
Total liabilities		**42,115,982**	**39,234,554**
EQUITY			
Share capital	20	7,685,466	7,685,466
Additional paid-in-capital	20	4,987,105	4,987,105
Revaluation reserve for available-for-sale financial assets		(317,798)	91,726
Accumulated losses		(1,322,502)	(2,615,866)
Total equity		**11,032,271**	**10,148,431**
Total liabilities and equity		**53,148,253**	**49,382,985**

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

	2012 KZT'000	2011 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	4,370,840	2,209,709
Interest payments	(1,376,205)	(854,028)
Fee and commission receipts	354,749	254,380
Fee and commission payments	(30,357)	(31,456)
Net receipts from foreign exchange	88,407	50,615
Other receipts	49,339	65,894
Personnel payments	(953,082)	(707,536)
Other general administrative payments	(437,420)	(368,313)
(Increase)/decrease in operating assets		
Mandatory reserve with the National Bank of the Republic of Kazakhstan	(49,132)	(731,257)
Loans to customers	(6,015,325)	(12,654,646)
Other assets	24,111	124,706
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	(463,115)	(461,111)
Current accounts and deposits from customers	6,283,708	25,193,565
Amounts payable under repurchase agreements	(3,000,002)	3,000,002
Other liabilities	(13,758)	(7,577)
Cash flows (used in)/from operating activities	**(1,167,242)**	**15,082,947**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(5,501,236)
Disposal and redemption of available-for-sale financial assets	-	1,470,338
Acquisition of property, equipment and intangible assets	(107,679)	(50,004)
Disposal of property, equipment and intangible assets	-	1,044
Cash flows used in investing activities	**(107,679)**	**(4,079,858)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from prepaid capital contribution (Note 20)	-	5,100,000
Cash flows from financing activities	**-**	**5,100,000**
Net (decrease)/increase in cash and cash equivalents	**(1,274,921)**	**16,103,089**
Effect of changes in exchange rates on cash and cash equivalents	919	(596)
Cash and cash equivalents as at the beginning of the year	17,759,217	1,656,724
Cash and cash equivalents as at the end of the year (Note 11)	**16,485,215**	**17,759,217**

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

KZT'000	Share capital	Additional paid-in-capital	Revaluation reserve for available-for-sale financial assets	Accumula-ted losses	Total
Balance as at 1 January 2011	**7,685,466**	**261,918**	**104,759**	**(2,698,653)**	**5,353,490**
Total comprehensive income					
Profit for the year	-	-	-	82,787	82,787
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	-	57,305	-	57,305
Net change in fair value of available-for-sale financial transferred to profit or loss	-	-	(70,338)	-	(70,338)
Total other comprehensive income	-	-	(13,033)	-	(13,033)
Total comprehensive income for the year	**-**	**-**	**(13,033)**	**82,787**	**69,754**
Transactions with owners, recorded directly in equity					
Prepaid capital contribution (Note 20)	-	5,100,000	-	-	5,100,000
Other distributions to owners (Note 20)	-	(374,813)	-	-	(374,813)
Total transactions with owners	**-**	**4,725,187**	**-**	**-**	**4,725,187**
Balance as at 31 December 2011	**7,685,466**	**4,987,105**	**91,726**	**(2,615,866)**	**10,148,431**
Total comprehensive income					
Profit for the year	-	-	-	1,293,364	1,293,364
Other comprehensive income					
Net change in fair value of available-for-sale financial assets	-	-	(409,524)	-	(409,524)
Total other comprehensive income	-	-	(409,524)	-	(409,524)
Total comprehensive income for the year	**-**	**-**	**(409,524)**	**1,293,364**	**883,840**
Balance as at 31 December 2012	**7,685,466**	**4,987,105**	**(317,798)**	**(1,322,502)**	**11,032,271**

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

1 Background

(a) Organisation and operations

Bank "Astana-finance" JSC (the "Bank") was established in the Republic of Kazakhstan as a joint stock company in 2008. The principal activities are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (the "Committee", formerly the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations, the "Agency"). The Bank has general banking license number 1.1.257 dated 6 November 2009 and re-registered on 24 August 2011. In accordance with the Decree of the National Bank of the Republic of Kazakhstan number 79 dated 1 July 2011 the Bank's license on deposit taking and customer account maintenance of individuals was revoked. As a result during the year ended 31 December 2011 the Bank closed all current accounts and deposits of individuals.

The Bank's registered office is located at 98A, Masanchi Street, Almaty, 050022, the Republic of Kazakhstan.

The Bank has five branches from which it conducts business throughout the Republic of Kazakhstan. The majority of the assets and liabilities are located in the Republic of Kazakhstan. The Bank is wholly-owned by "Astana-finance" JSC (the "Parent Company"). Related party transactions are detailed in Note 27.

On 19 March 2010, the Agency signed a multilateral agreement with the Bank, its Parent Company and other subsidiaries of the Parent Company prohibiting certain intergroup transactions.

On 19 May 2010 the Parent Company transferred 100% of its shareholding to the trust management of Sovereign Wealth Fund "Samruk Kazyna" JSC (the "Fund"). The Fund undertook to perform the Bank's shareholder functions on a temporary basis for the shortest of 12 months and the period up to the date the Parent Company's restructuring plan is approved by the Kazakhstan court and all the actions agreed in the restructuring plan are implemented. At the date of these financial statements this has not yet occurred. The Parent Company remains the beneficial owner of the Bank.

(b) Business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

2 Basis of preparation, continued

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 13 – "Loans to customers", Note 10 – "Income tax (expense)/benefit" and Note 2(e) – "Going concern".

(e) Going concern

Material uncertanties related to events or conditions that may cast significant doubt about the ability of the Bank to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business, have been identified by management.

In accordance with the Decree of the Agency number 140 dated 2 September 2008 on "Minimum amounts of share capital and equity for the second-tier banks" starting from 1 July 2011 the Bank has to maintain a minimum total capital of KZT 10,150,000 thousand.

The Bank worked out a capitalisation plan involving the transfer of assets between the Bank and one of its fellow subsidiaries, followed by a debt repayment by the fellow subsidiary to the Parent Company and subsequent capitalisation of the Bank by the Parent Company. The plan was discussed with the Agency and on 6 April 2011 the Bank received a letter from the Agency confirming that the plan could be implemented subject to the fellow subsidiary's voluntary return of its licence for certain banking operations to the regulator.

On 18 April 2011 the Board of Directors authorised placement of 6,000,000 common shares with a nominal value of KZT 1,000. The shares were offered to the Parent Company as it had a pre-emptive right to buy the Bank's shares.

On 22 April 2011 the fellow subsidiary notified the Agency of its voluntary return of the licence.

On 2 June 2011 the Bank's fellow subsidiary sold a pool of mortgage loans with a net book value of KZT 5,077,762 thousand and fair value of KZT 4,702,949 thousand to the Bank. The Bank paid a consideration of KZT 5,077,762 thousand to the fellow subsidiary, followed by a debt repayment by the fellow subsidiary to the Parent Company. The difference between the consideration paid and the fair value of these loans of KZT 374,813 thousand was recognised as a distribution to owners, in equity, as a reduction in "additional paid-in-capital".

2 Basis of preparation, continued

(e) Going concern, continued

In accordance with the share purchase agreement the Parent Company acquired 5,100,000 shares at their nominal value of KZT 5,100,000 thousand. However, in order for this transaction to be valid under Kazakhstan law, and in accordance with the Law on "Banks and banking activities" of the Republic of Kazakhstan, the Parent Company, being the 100% owner of the Bank, would have to be granted an approval of the status of a bank holding company by the Committee. Such approval was revoked by the Committee in 2010. Consequently, the Bank's registrar, "Fondoviy Centr" JSC, has not registered the shares.

As a result of the aforementioned events, as at 31 December 2012 and 2011 the Bank was not in compliance with the Committee's minimum total capital requirements (Note 22).

In accordance with Decree number 52 dated 24 February 2012 the National Bank of Kazakhstan set a deadline for the Parent Company to provide the Committee with a restructuring plan approved by the Creditors' Committee by 1 July 2012. The Decree also stated that the deadline to bring the Bank's share capital in line with the minimum required would be the same as the deadline to complete the restructuring of the Parent Company which would be set by a decision of the court. On 27 March 2012 the Specialised Financial Court of Almaty set the deadline for completing restructuring to be no later than 28 September 2012. This deadline has been subsequently prolonged several times to 31 December 2013.

On 6 June 2012 the Parent Company published an information memorandum setting out the restructuring terms which was supplemented and amended on 22 June 2012 (the "Restructuring Plan"). The Restructuring Plan was approved by creditors at a claimant's meeting on 29 June 2012, by the National Bank of the Republic of Kazakhstan on 4 July 2012 and by the Court on 31 July 2012. However, the Parent Company was not able to complete the restructuring by 28 September 2012 and in accordance with its terms the Restructuring Plan is no longer valid. As at the date of these financial statements the Parent Company was in the process of updating and issuing a new restructuring plan.

There is uncertainty as to the ability of the Parent Company to provide the Committee with a restructuring plan approved by the Creditors' Committee and complete restructuring by 31 December 2013, to obtain the status of a bank holding company from the Committee and hence to complete the registration of shares issued and hence enable the Bank to be in compliance with minimum total capital set by the Committee.

The accompanying financial statements are prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments that would be necessary should the Bank be unable to continue as a going concern.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Bank.

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. The mandatory reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

3 Significant accounting policies

(c) Financial instruments, continued

(i) Classification, continued

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

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

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

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(iii) Measurement, continued

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

(iv) Amortised cost

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

(v) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(vi) Gains and losses on subsequent measurement

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

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

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

(vii) Derecognition

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

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

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

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

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

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

Significant accounting policies, continued

(c) Financial instruments, continued

(ix) Offsetting

Financial assets and liabilities are offset and the net amount 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 realise the asset and settle the liability simultaneously.

(d) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

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

- buildings	100 years
- furniture and equipment	3 to 10 years
- vehicles	7 years
- computer equipment	4 to 5 years
- leasehold improvements	10 years

(e) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 3 to 5 years.

(f) Foreclosed assets

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

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

(g) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

3 Significant accounting policies, continued

(g) Impairment, continued

(ii) Available-for-sale financial assets, continued

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

(iii) Non financial assets

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

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

(h) Provisions

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

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

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

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

3 Significant accounting policies, continued

(i) Credit related commitments, continued

Loan commitments are not recognised, except for the followings:

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

(j) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(k) Taxation

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(l) Income and expense recognition

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

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

3 Significant accounting policies, continued

(l) Income and expense recognition, continued

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

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

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2012, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of the new standard on its financial position or performance.

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

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2013. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2012 KZT'000	2011 KZT'000
Interest income		
Loans to customers	4,686,807	2,435,555
Available-for-sale financial assets	320,388	188,720
Loans and advances to banks	310	137
	5,007,505	**2,624,412**
Interest expense		
Current accounts and deposits from customers	(1,302,151)	(626,780)
Deposits and balances from banks and other financial institutions	(155,523)	(181,432)
	(1,457,674)	**(808,212)**
	3,549,831	**1,816,200**

Included within various line items under interest income for the year ended 31 December 2012 is a total of KZT 495,817 thousand (2011: KZT 206,918 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2012 KZT'000	2011 KZT'000
Guarantee and letter of credit issuance	182,878	107,874
Foreign exchange	95,765	78,219
Settlement	39,655	40,162
Cash transactions	28,547	25,380
Loan origination fee	5,485	4,280
Other	7,221	4,743
	359,551	**260,658**

6 Fee and commission expense

	2012 KZT'000	2011 KZT'000
Credit transactions	17,947	17,456
Payment transfers	9,567	9,372
Deposit insurance fund contributions	2,651	2,206
Settlement	-	1,241
Other	166	1,181
	30,331	**31,456**

7 Impairment losses

	2012 KZT'000	2011 KZT'000
Loans to customers	1,202,852	1,073,876
Other assets	(23,566)	5,111
	1,179,286	**1,078,987**

8 Personnel expenses

	2012 KZT'000	2011 KZT'000
Employee compensation	873,323	653,466
Payroll related taxes	86,495	62,827
	959,818	**716,293**

9 Other general administrative expenses

	2012 KZT'000	2011 KZT'000
Operating lease expense	140,818	141,448
Depreciation and amortisation	88,149	82,857
Repairs and maintenance	79,612	28,357
Security	46,874	46,690
Taxes other than on income	33,451	32,696
Communications and information services	28,462	27,302
Professional services	24,638	18,301
Charity and sponsorship	22,762	5,270
Transportation	18,430	13,829
Insurance	17,747	3,510
Travel expenses	16,917	13,248
Training	7,743	423
Membership fees	5,577	1,055
Representation	3,756	2,397
Advertising and marketing	2,150	5,314
Encashment services	2,093	2,643
Fines and penalties	379	600
Other	21,318	13,008
	560,876	**438,948**

10 Income tax (expense)/benefit

	2012 KZT'000	2011 KZT'000
Deferred taxation movement due to origination and reversal of temporary differences	(24,372)	50,082
Total income tax (expense)/benefit	**(24,372)**	**50,082**

In 2012 the applicable tax rate for current and deferred tax is 20% (2011: 20%).

Reconciliation of effective tax rate:

	2012 KZT'000	%	2011 KZT'000	%
Profit before tax	**1,317,736**	**100**	**32,705**	**100**
Income tax at the applicable tax rate	(263,547)	(20)	(6,540)	(20)
Non-taxable income	1,224	-	32,760	100
Change in unrecognised deferred tax assets	237,951	18	23,862	73
	(24,372)	**(2)**	**50,082**	**153**

Deferred tax asset

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2012 and 2011. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

The deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2019-2020.

Movements in temporary differences during the years ended 31 December 2012 and 2011 are presented as follows.

2012 KZT'000	**Balance 1 January 2012**	**Recognised in profit or loss**	**Balance 31 December 2012**
Loans to customers	55,688	(55,688)	-
Property, equipment and intangible assets	(8,916)	(5,023)	(13,939)
Other assets	18,467	34,992	53,459
Vacation reserve	4,593	1,347	5,940
	69,832	**(24,372)**	**45,460**

10 Income tax (expense)/benefit, continued

2011 KZT'000	Balance 1 January 2011	Recognised in profit or loss	Balance 31 December 2011
Loans to customers	7,268	48,420	55,688
Property, equipment and intangible assets	2,475	(11,391)	(8,916)
Other assets	5,244	13,223	18,467
Vacation reserve	2,841	1,752	4,593
Taxes other than on income	1,922	(1,922)	-
	19,750	**50,082**	**69,832**

Unrecognised deferred tax asset

As at 31 December 2012 a deferred tax asset of KZT 103,531 thousand (31 December 2011: KZT 341,482 thousand) relating to tax loss carry-forwards was not recognised due to uncertainties concerning its realisation. During the year ended 31 December 2012 deferred tax assets of KZT 237,951 thousand relation to tax loss carry-forwards has been utilised. During the year ended 31 December 2011 deferred tax assets of KZT 23,862 thousand relation to tax loss carry-forwards expired.

11 Cash and cash equivalents

	2012 KZT'000	2011 KZT'000
Cash on hand	479,664	351,267
Nostro accounts with the NBRK	15,653,181	17,329,841
Nostro accounts with other banks		
- rated A- to A+	300,285	41,298
- rated from BB- to BB+	31,861	1,164
- rated below B+	19,016	34,421
- not rated	1,208	1,226
Total nostro accounts with other banks	**352,370**	**78,109**
	16,485,215	**17,759,217**

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

As at 31 December 2012 the mandatory reserve with the National Bank of the Republic of Kazakhstan of KZT 952,243 thousand (31 December 2011: KZT 903,111 thousand) is calculated in accordance with regulations issued by the National Bank of the Republic of Kazakhstan and comprises a non-interest bearing deposit whose withdrawability is restricted.

12 Available-for-sale financial assets

The entire amount of available-for-sale assets are represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB+.

No available-for-sale financial assets are impaired or past due.

As at 31 December 2011 treasury bills of the Ministry of Finance of the Republic of Kazakhstan with a fair value of KZT 3,296,222 thousand were pledged under repurchase agreements (Note 18).

13 Loans to customers

	2012 KZT'000	2011 KZT'000
Loans to corporate customers		
Loans to large corporates	10,171,582	5,790,177
Loans to small and medium size companies	18,315,106	15,132,414
Total loans to corporate customers	**28,486,688**	**20,922,591**
Loans to retail customers		
Mortgage loans	2,878,400	3,525,886
Consumer loans	624,530	899,395
Auto loans	4,846	9,914
Other	23,685	8,710
Total loans to retail customers	**3,531,461**	**4,443,905**
Gross loans to customers	**32,018,149**	**25,366,496**
Impairment allowance	(3,371,094)	(2,168,565)
Net loans to customers	**28,647,055**	**23,197,931**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	2,073,379	95,186	2,168,565
Net charge	799,124	403,728	1,202,852
Write-offs	(227)	-	(227)
Effect of foreign currency translation	(96)	-	(96)
Balance at the end of the year	**2,872,180**	**498,914**	**3,371,094**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2011 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	2,082,254	105,981	2,188,235
Net charge/(recovery)	1,084,671	(10,795)	1,073,876
Write-offs	(1,093,546)	-	(1,093,546)
Balance at the end of the year	**2,073,379**	**95,186**	**2,168,565**

13 Loans to customers, continued

(a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	8,333,974	(145,373)	8,188,601	1.74
Impaired loans:				
- not past due	1,609,443	(408,368)	1,201,075	25.37
- overdue 30-89 days	40,509	(4,543)	35,966	11.21
- overdue more than 360 days	187,656	(12,417)	175,239	6.62
Total impaired loans	1,837,608	(425,328)	1,412,280	23.15
Total loans to large corporates	**10,171,582**	**(570,701)**	**9,600,881**	**5.61**
Loans to small and medium size companies				
Loans without individual signs of impairment	13,664,969	(193,662)	13,471,307	1.42
Impaired loans:				
- not past due	3,747,377	(1,457,200)	2,290,177	38.89
- overdue less than 30 days	6,692	(44)	6,648	0.66
- overdue 30-89 days	518,417	(347,674)	170,743	67.06
- overdue 90-179 days	275,047	(275,047)	-	100.00
- overdue 180-360 days	40,353	(2,811)	37,542	6.97
- overdue more than 360 days	62,251	(25,041)	37,210	40.23
Total impaired loans	4,650,137	(2,107,817)	2,542,320	45.33
Total loans to small and medium size companies	**18,315,106**	**(2,301,479)**	**16,013,627**	**12.57**
Total loans to corporate customers	**28,486,688**	**(2,872,180)**	**25,614,508**	**10.08**

13 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not past due	2,467,753	(12,520)	2,455,233	0.51
- overdue less than 30 days	106,623	(9,417)	97,206	8.83
- overdue 30-89 days	38,988	(7,653)	31,335	19.63
- overdue 90-179 days	50,786	(33,883)	16,903	66.72
- overdue 180-360 days	66,164	(66,164)	-	100.00
- overdue more than 360 days	148,086	(148,086)	-	100.00
Total mortgage loans	**2,878,400**	**(277,723)**	**2,600,677**	**9.65**
Consumer loans				
- not past due	391,643	(1,987)	389,656	0.51
- overdue less than 30 days	8,809	(778)	8,031	8.83
- overdue 30-89 days	5,136	(1,008)	4,128	19.63
- overdue 90-179 days	7,161	(5,185)	1,976	72.41
- overdue 180-360 days	14,617	(14,617)	-	100.00
- overdue more than 360 days	197,164	(197,164)	-	100.00
Total consumer loans	**624,530**	**(220,739)**	**403,791**	**35.34**
Auto loans				
- not past due	4,039	(20)	4,019	0.50
- overdue less than 30 days	807	(72)	735	8.92
Total auto loans	**4,846**	**(92)**	**4,754**	**1.90**
Other loans to retail customers				
- not past due	20,803	(106)	20,697	0.51
- overdue less than 30 days	2,882	(254)	2,628	8.81
Total other loans to retail customers	**23,685**	**(360)**	**23,325**	**1.52**
Total loans to retail customers	**3,531,461**	**(498,914)**	**3,032,547**	**14.13**
Total loans to customers	**32,018,149**	**(3,371,094)**	**28,647,055**	**10.53**

13 Loans to customers, continued

(a) Credit quality of loans to customers, continued

The following table provides information on the credit quality of the loans to customers as at 31 December 2011:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	4,451,947	(33,140)	4,418,807	0.74
Impaired loans:				
- not past due	980,126	(582,227)	397,899	59.40
- overdue more than 360 days	358,104	(358,104)	-	100.00
Total impaired loans	1,338,230	(940,331)	397,899	70.27
Total loans to large corporates	**5,790,177**	**(973,471)**	**4,816,706**	**16.81**
Loans to small and medium size companies				
Loans without individual signs of impairment	12,606,209	(206,492)	12,399,717	1.64
Impaired loans:				
- not past due	2,526,205	(893,416)	1,632,789	35.37
Total impaired loans	2,526,205	(893,416)	1,632,789	35.37
Total loans to small and medium size companies	**15,132,414**	**(1,099,908)**	**14,032,506**	**7.27**
Total loans to corporate customers	**20,922,591**	**(2,073,379)**	**18,849,212**	**9.91**

13 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not past due	2,961,016	(1,602)	2,959,414	0.05
- overdue less than 30 days	189,933	(1,461)	188,472	0.77
- overdue 30-89 days	119,337	(3,228)	116,109	2.70
- overdue 90-179 days	147,802	(8,154)	139,648	5.52
- overdue 180-360 days	107,798	(7,749)	100,049	7.19
Total mortgage loans	**3,525,886**	**(22,194)**	**3,503,692**	**0.63**
Consumer loans				
- not past due	488,378	(671)	487,707	0.14
- overdue less than 30 days	67,736	(2,225)	65,511	3.28
- overdue 30-89 days	15,891	(1,549)	14,342	9.75
- overdue 90-179 days	22,365	(3,473)	18,892	15.53
- overdue 180-360 days	13,216	(2,819)	10,397	21.33
- overdue more than 360 days	291,809	(62,255)	229,554	21.33
Total consumer loans	**899,395**	**(72,992)**	**826,403**	**8.12**
Auto loans				
- not past due	9,914	-	9,914	-
Total auto loans	**9,914**	**-**	**9,914**	**-**
Other loans to retail customers				
- not past due	8,710	-	8,710	-
Total other loans to retail customers	**8,710**	**-**	**8,710**	**-**
Total loans to retail customers	**4,443,905**	**(95,186)**	**4,348,719**	**2.14**
Total loans to customers	**25,366,496**	**(2,168,565)**	**23,197,931**	**8.55**

As at 31 December 2012 included in the loan portfolio are renegotiated loans to corporate and retail customers that would otherwise be past due of KZT 4,135,867 thousand and KZT 263,675 thousand, respectively (2011: KZT 516,750 thousand and KZT 44,970 thousand, respectively). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

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

13 Loans to customers, continued

(b) Key assumptions and judgments for estimating the loan impairment, continued

(i) Loans to corporate customers, continued

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

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower's markets

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

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

- historic annual loss rate of 0.66-6.14%
- a discount of between 20% and 40% to the originally appraised value if the property pledged is sold
- a delay of 12 to 24 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2012 would be KZT 256,145 thousand lower/higher (2011: KZT 188,492 thousand lower/higher).

(ii) Loans to retail customers

The Bank estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan and an assessment of the expected recoverable amounts from underlying collateral. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 6 to 12 months
- in respect of mortgage and consumer loans, a delay of 36 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 40% to the originally appraised value if the property pledged is sold through court procedures.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus one percent, the impairment allowance on loans to retail customers as at 31 December 2012 would be KZT 30,325 thousand lower/higher (2011: KZT 43,487 thousand).

13 Loans to customers, continued

(c) Analysis of collateral

(i) Loans to corporate customers

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2012 and 2011:

	2012 KZT'000	% of loan portfolio	2011 KZT'000	% of loan Portfolio
Grain	12,189,503	47.59	5,505,780	29.21
Mixed	8,746,442	34.15	8,961,340	47.54
Real estate	2,458,524	9.60	1,386,935	7.36
Land and rights of temporary land use	515,466	2.01	872,679	4.63
Equipment	171,638	0.67	255,708	1.36
Cash deposit	104,791	0.41	509,173	2.70
Guarantee	12,113	0.05	106,664	0.57
Other collateral	1,106,371	4.32	23,126	0.12
No collateral	309,660	1.21	1,227,807	6.51
	25,614,508	**100.00**	**18,849,212**	**100.00**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral. Mixed types of collateral include real estate, property complexes, equipment, vehicles, land, grain, guarantees, cash deposits and other.

Loans to corporate customers that are past due or impaired

Impaired or overdue loans to corporate customers are secured by collateral with a fair value of KZT 3,258,786 thousand (2011: KZT 1,729,808 thousand), excluding the effect of overcollateralisation.

Loans to corporate customers without individual signs of impairment

As at 31 December 2012 the fair value of cash balances, serving as collateral for loans to corporate customers, is KZT 57,513 thousand (2011: KZT 43,700 thousand).

For remaining loans to corporate customers with a net carrying amount of KZT 21,602,395 thousand (2011: KZT 16,774,824 thousand), which are neither past due nor impaired, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

As at 31 December 2012, for loans to corporate customers with a carrying amount of KZT 9,242,288 thousand (2011: KZT 6,784,791 thousand) management estimates that the fair value of collateral is at least equal to their carrying amounts.

Collateral obtained

During the year ended 31 December 2012, the Bank did not obtain any assets by taking control of collateral securing loans to corporate customers (31 December 2011: nil).

(ii) Loans to retail customers

Mortgage and consumer loans are secured by the underlying housing real estate.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 1,042,179 thousand (2011: KZT 1,413,360 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 744,165 thousand (2011: KZT 1,246,277 thousand).

13 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers

Mortgage loans

For mortgage loans with a net carrying amount of KZT 1,558,498 thousand (2011: KZT 2,090,332 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

Consumer loans

Included in consumer loans are loans with a net carrying amount of KZT 178,256 thousand (2011: KZT 206,013 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 119,181 thousand (2011: KZT 167,617 thousand).

For consumer loans with a net carrying amount of KZT 225,535 thousand (2011: KZT 620,390 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

(d) Industry and geographical analysis of the loan portfolio

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

	2012 KZT'000	2011 KZT'000
Agriculture, forestry and timber	11,935,015	9,559,350
Trade	9,950,123	4,455,028
Loans to retail customers	3,531,461	4,443,905
Real estate	1,468,330	1,738,247
Mining/metallurgy	1,275,585	836,972
Manufacturing	943,663	2,030,828
Construction	179,967	-
Other	2,734,005	2,302,166
	32,018,149	**25,366,496**
Impairment allowance	(3,371,094)	(2,168,565)
	28,647,055	**23,197,931**

(e) Significant credit exposures

As at 31 December 2012 the Bank has twelve borrowers (2011: thirteen borrowers), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2012 is KZT 14,694,592 thousand (2011: KZT 11,212,224 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 21(d), which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the term based on contractual terms.

14 Property, equipment and intangible assets

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Leasehold improvements	Intangible assets	Total
Cost							
Balance at 1 January 2012	248,539	139,858	29,674	93,940	70,650	132,082	714,743
Additions	-	7,467	51,601	24,850	2,243	21,518	107,679
Disposals	-	(69)	-	(35)	(76,307)	-	(76,411)
Transfers	(8,500)	6,985	-	(2,000)	3,515	-	-
Balance at 31 December 2012	**240,039**	**154,241**	**81,275**	**116,755**	**101**	**153,600**	**746,011**
Depreciation and amortisation							
Balance at 1 January 2012	10,477	66,471	7,714	59,395	17,502	73,615	235,174
Depreciation and amortisation for the year	3,128	22,713	8,694	18,041	6,974	28,599	88,149
Disposals	-	(36)	-	46	(25,734)	-	(25,724)
Transfers	(1,629)	342	-	(37)	1,324	-	-
Balance at 31 December 2012	**11,976**	**89,490**	**16,408**	**77,445**	**66**	**102,214**	**297,599**
Carrying amount							
At 31 December 2012	**228,063**	**64,751**	**64,867**	**39,310**	**35**	**51,386**	**448,412**

14 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Leasehold improvements	Intangible assets	Total
Cost							
Balance at 1 January 2011	248,539	137,221	16,152	83,161	56,932	124,404	666,409
Additions	-	3,540	13,522	11,546	13,718	7,678	50,004
Disposals	-	(903)	-	(767)	-	-	(1,670)
Balance at 31 December 2011	**248,539**	**139,858**	**29,674**	**93,940**	**70,650**	**132,082**	**714,743**
Depreciation and amortisation							
Balance at 1 January 2011	6,712	44,170	5,452	38,493	11,692	46,424	152,943
Depreciation and amortisation for the year	3,765	22,631	2,262	21,198	5,810	27,191	82,857
Disposals	-	(330)	-	(296)	-	-	(626)
Balance at 31 December 2011	**10,477**	**66,471**	**7,714**	**59,395**	**17,502**	**73,615**	**235,174**
Carrying amounts							
At 31 December 2011	**238,062**	**73,387**	**21,960**	**34,545**	**53,148**	**58,467**	**479,569**
At 1 January 2011	**241,827**	**93,051**	**10,700**	**44,668**	**45,240**	**77,980**	**513,466**

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during 2012 (2011: nil).

15 Other assets

	2012 KZT'000	2011 KZT'000
Accounts receivable from fellow subsidiaries	195,665	221,536
Accrued commission income	11,080	6,278
Total other financial assets	**206,745**	**227,814**
Foreclosed assets	316,290	316,290
Prepayments	66,251	61,490
Materials and supplies	14,697	10,438
Prepaid taxes other than on income	5,699	12,923
Other	11,069	9,309
Impairment allowance	(7,766)	(31,332)
Total other non-financial assets	**406,240**	**379,118**
Total other assets	**612,985**	**606,932**

As at 31 December 2011 accounts receivable from fellow subsidiaries include KZT 219,464 thousand due from Credit Company "Astana-finance" JSC ("CC AF") as a consequence of the financial assets exchange agreement dated 26 November 2009. On 4 January 2012 the amount due from CC AF was transferred to Mortgage Company "Astana-finance" JSC.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December 2012 and 2011 are as follows:

	2012 KZT'000	2011 KZT'000
Balance at the beginning of the year	31,332	26,221
Net (recovery)/charge	(23,566)	5,111
Balance at the end of the year	**7,766**	**31,332**

As at 31 December 2012, included in other assets are overdue receivables from third parties in the amount of KZT 2,656 thousand (2011: KZT 5,111 thousand) and KZT 7,434 thousand (2011: KZT 26,221 thousand), which are overdue for more than 90 days but less than one year and overdue for more than one year, respectively.

16 Deposits and balances from banks and other financial institutions

	2012 KZT'000	2011 KZT'000
Loans	1,647,693	2,112,231
Vostro accounts	-	1,577
	1,647,693	**2,113,808**

Loans are received from JSC Entrepreneurship Development Fund "Damu" under the Program of conditional investment of funds in the second-tier banks for further lending to small and medium enterprises.

17 Current accounts and deposits from customers

	2012 KZT'000	2011 KZT'000
Corporate current accounts and demand deposits	34,444,624	27,198,702
Corporate term deposits	5,932,443	6,810,134
	40,377,067	**34,008,836**

As at 31 December 2012, included in current accounts and demand deposits are current accounts of the Parent company of KZT 17,817,318 thousand (2011: KZT 15,538,883 thousand).

As at 31 December 2012, the Bank maintained customer deposit balances of KZT 994,006 thousand (2011: KZT 610,568 thousand) that serve as collateral for loans and off-balance credit instruments granted by the Bank.

As at 31 December 2012, the Bank has four customers (2011: six customers), whose balances exceed 10% of equity. These balances as at 31 December 2012 are KZT 34,873,949 thousand (2011: KZT 31,763,015 thousand).

During the year ended 31 December 2011 the Bank's license on deposit taking and customer account maintenance of individuals was revoked (Note 1 (a)) and the Bank closed all current accounts and deposits of individuals.

18 Amounts payable under repurchase agreements

In December 2011 the Bank concluded repurchase agreements on the "automatic repo" market on the KASE in the amount of KZT 3,000,002 thousand that matured in January 2012. As at 31 December 2011 included in amounts payable under repurchase agreements is accrued interest of KZT 54 thousand.

Collateral provided as security for liabilities

As at 31 December 2011 amounts payable under repurchase agreements were collateralised by the treasury bills of the Ministry of Finance of the Republic of Kazakhstan with a fair value of KZT 3,296,222 thousand (Note 12).

19 Other liabilities

	2012 KZT'000	2011 KZT'000
Accrued operating expenses	19,924	22,932
Payables on guarantees and letters of credit issued	1,347	1,373
Payables to employees	54	54
Total other financial liabilities	**21,325**	**24,359**
Prepayments on banking operations	30,729	44,487
Vacation reserve	29,700	22,964
Other taxes payable	9,031	19,419
Other non-financial liabilities	437	625
Total other non-financial liabilities	**69,897**	**87,495**
Total other liabilities	**91,222**	**111,854**

20 Share capital

(a) Issued capital

As at 31 December 2012, the authorised share capital comprised 32,000,000 shares (2011: 32,000,000 ordinary shares) and authorised, issued and fully paid share capital comprised 7,685,466 ordinary shares (2011: 7,685,466 ordinary shares). All shares have a par value of KZT 1,000. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

20 Share capital, continued

(b) Additional paid-in-capital

As detailed in Note 2 (e) on 2 June 2011 the Bank's fellow subsidiary transferred a pool of mortgage loans to the Bank. The difference between the consideration paid and the fair value of these loans of KZT 374,813 thousand was recognised as a distribution to owners, in equity, as a reduction in "additional paid-in-capital".

As at 31 December 2012 and 2011 a prepaid capital contribution in the amount of KZT 5,100,000 thousand was recognised as additional paid-in-capital. The shares were authorised and paid for by the shareholder and there was only a report on shares placement pending the Committee's approval. In accordance with the Law on "Banks and banking activities" of the Republic of Kazakhstan, the Parent Company, being the 100% owner of the Bank, has to be granted the status of a bank holding company by the Committee. The Committee has refused to grant the Parent Company the status of a bank holding company. Consequently, the Bank's registrar, "Fondoviy Centr" JSC, has not registered the shares (Note 2(e)).

In 2012 the Committee issued a requirement for banks to disclose separately a portion of their retained earnings representing the difference between impairment allowances assessed under IFRS and statutory rules. As at 31 December 2012 the amount of the unaudited difference is KZT 183,511 thousand (31 December 2011: KZT 33,027 thousand) and it relates primarily to loans to customers.

(c) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date reserves available for distribution amounted to KZT 1,293,364 thousand (2011: 82,787 thousand).

As at 31 December 2012 and 2011 no dividends were declared.

21 Risk management

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

(a) Risk management policies and procedures

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

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

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

21 Risk management, continued

(a) Risk management policies and procedures, continued

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

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

(b) Market risk

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

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

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

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

(i) Interest rate risk

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

21 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

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

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2012							
ASSETS							
Cash and cash equivalents	16,485,215	-	-	-	-	-	16,485,215
Available-for-sale financial assets	90,610	8,478	25,339	681,329	5,151,127	-	5,956,883
Mandatory reserve with NBRK	952,243	-	-	-	-	-	952,243
Loans to customers	8,522,907	502,410	4,065,557	12,511,469	2,531,963	512,749	28,647,055
Other financial assets	11,080	-	195,665	-	-	-	206,745
	26,062,055	**510,888**	**4,286,561**	**13,192,798**	**7,683,090**	**512,749**	**52,248,141**
LIABILITIES							
Deposits and balances from banks and other financial institutions	263,077	-	230,769	1,153,847	-	-	1,647,693
Current accounts and deposits from customers	18,431,121	889,488	20,306,476	749,982	-	-	40,377,067
Other financail liabilities	19,978	-	1,347		-	-	21,325
	18,714,176	**889,488**	**20,538,592**	**1,903,829**	**-**	**-**	**42,046,085**
	7,347,879	**(378,600)**	**(16,252,031)**	**11,288,969**	**7,683,090**	**512,749**	**10,202,056**

21 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2011							
ASSETS							
Cash and cash equivalents	17,759,217	-	-	-	-	-	17,759,217
Available-for-sale financial assets	124,427	-	-	715,080	5,526,886	-	6,366,393
Mandatory reserve with the NBRK	903,111	-	-	-	-	-	903,111
Loans to customers	4,491,629	107,683	7,676,700	6,806,341	3,531,717	583,861	23,197,931
Other financial assets	6,278	-	221,536	-	-	-	227,814
	23,284,662	**107,683**	**7,898,236**	**7,521,421**	**9,058,603**	**583,861**	**48,454,466**
LIABILITIES							
Deposits and balances from banks and other financial institutions	266,077	1,577	230,769	1,615,385	-	-	2,113,808
Current accounts and deposits from customers	14,285,953	2,000,000	15,722,883	2,000,000	-	-	34,008,836
Accounts payable under repuchase agreements	3,000,056	-	-	-	-	-	3,000,056
Other financial liabilities	22,986	-	1,373	-	-	-	24,359
	17,575,072	**2,001,577**	**15,955,025**	**3,615,385**	**-**	**-**	**39,147,059**
	5,709,590	**(1,893,894)**	**(8,056,789)**	**3,906,036**	**9,058,603**	**583,861**	**9,307,407**

The Bank does not transfer to "overdue" category the entire loans balance once a portion of it becomes overdue.

21 Risk management, continued

(b) Market risk, continued

(ii) Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2012 and 2011. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2012 Average effective interest rate, %		2011 Average effective interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Available-for-sale financial assets	5.19	-	5.22	-
Loans to customers	13.61	5.50	13.30	14.63
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- Loans	8.00	-	8.00	-
Current accounts and deposits from customers				
- Current accounts and demand deposits	2.33	1.30	1.01	-
- Term deposits	7.85	-	5.92	-
Amounts payable under repurchase agreements	-	-	0.73	-

(iii) Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is suplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2012 and 2011 is as follows:

	2012		2011	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	(17,038)	(17,038)	14,384	14,384
100 bp parallel rise	17,038	17,038	(14,384)	(14,384)

21 Risk management, continued

(b) Market risk, continued

(iii) Interest rate sensitivity analysis, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2012		2011	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	-	450,042	-	532,402
100 bp parallel rise	-	(406,549)	-	(477,031)

(iv) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank does not hedge its exposure to currency risk.

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

	EUR KZT'000	USD KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	95,175	15,905,260	34,593	16,035,028
Loans to customers	-	34,517	-	34,517
Total assets	**95,175**	**15,939,777**	**34,593**	**16,069,545**
LIABILITIES				
Current accounts and deposits from customers	1,089	15,888,569	6,459	15,896,117
Total liabilities	**1,089**	**15,888,569**	**6,459**	**15,896,117**
Net position as at 31 December 2012	**94,086**	**51,208**	**28,134**	**173,428**

21 Risk management, continued

(b) Market risk, continued

(iv) Currency risk, continued

The following table shows the currency structure of financial assets and liabilities as at 31 December 2011:

	EUR KZT'000	USD KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	13,207	14,942,979	7,074	14,963,260
Loans to customers	-	3,029	-	3,029
Total assets	**13,207**	**14,946,008**	**7,074**	**14,966,289**
LIABILITIES				
Current accounts and deposits from customers	31	14,865,186	1,091	14,866,308
Total liabilities	**31**	**14,865,186**	**1,091**	**14,866,308**
Net position as at 31 December 2011	**13,176**	**80,822**	**5,983**	**99,981**

An analysis of sensitivity of profit or loss for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2012 and 2011 and a simplified scenario of a 10% change in USD and Euro to Kazakhstan Tenge exchange rates is as follows.

	2012		2011	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
10% appreciation of USD against KZT	4,097	4,097	6,466	6,466
10% depreciation of USD against KZT	(4,097)	(4,097)	(6,466)	(6,466)
10% appreciation of EUR against KZT	7,527	7,527	1,054	1,054
10% depreciation of EUR against KZT	(7,527)	(7,527)	(1,054)	(1,054)

(c) Credit risk

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

The credit policy establishes:

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

21 Risk management, continued

(c) Credit risk, continued

Corporate loan credit applications are originated by the relevant client managers. and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis Expert reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Security Department, Legal Department, Direction of Collateral Expertise and Monitoring and the Risk Department which present their opinions and a second opinion is given accompanied by a verification that applicable law and internal regulatory documents credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Security Department, Loan Legal Department and the Risk Department. Having reviewed the application, the Credit Committee decides on approval or rejection of a loan. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

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

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

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

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

	2012 KZT'000	2011 KZT'000
ASSETS		
Cash equivalents	16,005,551	17,407,950
Available-for-sale financial assets	5,956,883	6,366,393
Mandatory reserve with the NBRK	952,243	903,111
Loans to customers	28,647,055	23,197,931
Other financial assets	206,745	227,814
Total maximum exposure	**51,768,477**	**48,103,199**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 13.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 23.

21 Risk management, continued

(d) Liquidity risk

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

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

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

The liquidity management policy requires:

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

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

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

21 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	32,308	230,769	29,231	283,077	1,276,923	1,852,308	1,647,693
Current accounts and deposits from customers	18,257,797	1,336,965	699,759	20,192,654	400,740	40,887,915	40,377,067
Other financial liabilities	6,967	-	14,358	-	-	21,325	21,325
Total liabilities	**18,297,072**	**1,567,734**	**743,348**	**20,475,731**	**1,677,663**	**42,761,548**	**42,046,085**
Credit related commitments	**3,833,624**	**-**	**-**	**-**	**-**	**3,833,624**	**3,833,624**

The maturity analysis for financial liabilities as at 31 December 2011 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	43,115	230,769	38,462	301,538	1,852,308	2,466,192	2,113,808
Current accounts and deposits from customers	14,288,580	-	2,030,822	15,734,150	2,330,741	34,384,293	34,008,836
Amounts payable under repurchase agreements	3,000,057	-	-	-	-	3,000,057	3,000,056
Other financial liabilities	20,098	4,261	-	-	-	24,359	24,359
Total	**17,351,850**	**235,030**	**2,069,284**	**16,035,688**	**4,183,049**	**39,874,901**	**39,147,059**
Credit related commitments	**4,289,468**	**-**	**-**	**-**	**-**	**4,289,468**	**4,289,468**

21 Risk management, continued

(d) Liquidity risk, continued

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued unrecognised loan commitments on the basis of their earliest possible contractual maturity.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

	2012 KZT'000	2011 KZT'000
Demand and less than 1 month	36,248,440	29,824,836
From 1 to 3 months	-	-
From 3 to 12 months	3,378,645	2,184,000
From 1 to 5 years	749,982	2,000,000
More than 5 years	-	-
	40,377,067	**34,008,836**

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the following financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows:

21 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	16,485,215	-	-	-	-	-	-	16,485,215
Available-for-sale financial assets	-	90,610	33,817	681,329	5,151,127	-	-	5,956,883
Mandatory reserve with the NBRK	-	-	-	-	-	952,243	-	952,243
Loans to customers	852,029	7,670,878	4,567,967	12,511,469	2,531,963	-	512,749	28,647,055
Property, equipment and intangible assets	-	-	-	-	-	448,412	-	448,412
Deferred tax asset	-	-	-	45,460	-	-	-	45,460
Other assets	9,002	66,251	206,745	-	-	330,987	-	612,985
Total assets	**17,346,246**	**7,827,739**	**4,808,529**	**13,238,258**	**7,683,090**	**1,731,642**	**512,749**	**53,148,253**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	32,308	230,769	230,769	1,153,847	-	-	-	1,647,693
Current accounts and deposits from customers	18,431,121	-	21,195,964	749,982	-	-	-	40,377,067
Other liabilities	9,468	60,429	21,325	-	-	-	-	91,222
Total liabilities	**18,472,897**	**291,198**	**21,448,058**	**1,903,829**	**-**	**-**	**-**	**42,115,982**
Net position	**(1,126,651)**	**7,536,541**	**(16,639,529)**	**11,334,429**	**7,683,090**	**1,731,642**	**512,749**	**11,032,271**

21 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2011:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	17,759,217	-	-	-	-	-	-	17,759,217
Available-for-sale financial assets	124,427	-	-	715,080	5,526,886	-	-	6,366,393
Mandatory reserve with the NBRK	-	-	-	-	-	903,111	-	903,111
Loans to customers	351,315	4,140,315	7,784,383	6,806,341	3,531,716	-	583,861	23,197,931
Property, equipment and intangible assets	-	-	-	-	-	479,569	-	479,569
Deferred tax asset	-	-	-	69,832	-	-	-	69,832
Other assets	32,451	13,294	234,459	-	-	326,728	-	606,932
Total assets	**18,267,410**	**4,153,609**	**8,018,842**	**7,591,253**	**9,058,602**	**1,709,408**	**583,861**	**49,382,985**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	36,885	230,769	230,769	1,615,385	-	-	-	2,113,808
Current accounts and deposits from customers	14,285,953	-	17,722,883	2,000,000	-	-	-	34,008,836
Amounts payable under repurchase agreements	3,000,056	-	-	-	-	-	-	3,000,056
Other liabilities	20,098	68,792	22,964	-	-	-	-	111,854
Total liabilities	**17,342,992**	**299,561**	**17,976,616**	**3,615,385**	**-**	**-**	**-**	**39,234,554**
Net position	**924,418**	**3,854,048**	**(9,957,774)**	**3,975,868**	**9,058,602**	**1,709,408**	**583,861**	**10,148,431**

22 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBRK, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2012, this minimum level is 14%. As at 31 December 2012 and 2011 the Bank was in compliance with the statutory capital ratio.

The following table shows the composition of the capital position calculated in accordance with the requirements of the NBRK, as at 31 December:

	2012 KZT'000 (Unaudited)	2011 KZT'000 (Unaudited)
Tier 1 capital		
Share capital	7,685,466	7,685,466
Statutory additional paid-in capital	(14,083)	(14,083)
Statutory intangible assets	(30)	(45)
Statutory retained earnings – prior year	(2,507,377)	(2,660,453)
Total tier 1 capital	**5,163,976**	**5,010,885**
Tier 2 capital		
Statutory retained earnings – current year	1,212,149	100,259
Revaluation reserve for available-for-sale financial assets	(317,798)	91,726
Total tier 2 capital	**894,351**	**191,985**
Total capital	**6,058,327**	**5,202,870**
Risk-weighted assets		
Banking book	36,967,111	29,313,408
Total risk weighted assets	**36,967,111**	**29,313,408**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**16.39%**	**17.75%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**13.97%**	**17.09%**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

In addition to the above requirements related to statutory capital ratio, in accordance with the Decree of the Agency number 140 dated 2 September 2008 on "Minimum amounts of share capital and equity for the second-tier banks", starting from 1 July 2011 the total capital of the Bank has to be increased to a minimum of KZT 10,150,000 thousand. As at 31 December 2012 the Bank's total capital calculated in accordance with the requirements of the NBRK was KZT 6,058,327 thousand (31 December 2011: KZT 5,202,870 thousand) and the Bank was not in compliance with minimum share capital requirement. Note 2 (e) describes the measures the management has taken to bring the capital in compliance with the minimum required.

23 Commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a year of up to five years.

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

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

	2012 KZT'000	2011 KZT'000
Contracted amount		
Loan and credit line commitments	3,833,624	4,289,468
Guarantees and letters of credit	5,717,208	3,652,737
	9,550,832	**7,942,205**

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

Guarantees and letters of credit are collateralised by real estate, cash deposits, grain, guarantees of individuals and other collateral.

As at 31 December 2012 the Company had no counterparties (31 December 2011: nil), whose guarantee or loan commitments exceeded 10% of total equity.

The Bank uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

Analysis of movements in the provisions for guarantees and letters of credit issued

	2012 KZT'000	2011 KZT'000
Balance at the beginning of the year	-	35,280
Recovery	-	(35,280)
Balance at the end of the year	**-**	**-**

24 Operating leases

As at 31 December 2012 and 2011 the Bank did not have significant non-cancellable operating lease rentals payable.

During the year of 2012 KZT 140,818 thousand was recognised as an expense in profit or loss in respect of operating leases (2011: KZT 141,448 thousand).

25 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

26 Related party transactions

(a) Control relationships

The Bank's parent company is "Astana-finance" JSC. There is no party with ultimate control over the Parent Company.

Publicly available financial statements are produced by the Parent Company.

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

Total remuneration included in personnel expenses for the years ended 31 December 2012 and 2011 is as follows:

	2012 KZT'000	2011 KZT'000
Short term employee benefits	96,357	65,331
Post employmente benefits	1,886	2,511
	98,243	**67,842**

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

26 Related party transactions, continued

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

The outstanding balances and average interest rates as at 31 December 2012 and 2011 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2012 KZT'000	Average interest rate	2011 KZT'000	Average interest rate
Statement of financial position				
Loans to customers	4,427	12.0%	4,407	12.0%

Amounts included in profit or loss in relation to transactions with the members of the Management Board and the Board of Directors for the year ended 31 December are as follows:

	2012 KZT'000	2011 KZT'000
Profit or loss		
Interest income	519	525

(c) Transactions with other related parties

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

	Parent company		Other subsidiaries of the parent company		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position					
ASSETS					
Cash and cash equivalents					
- In USD	-	-	1,170	-	1,170
- In RUR	-	-	38	-	38
Other assets	-	-	182,887	-	182,887
LIABILITIES					
Current accounts and deposits from customers					
- In KZT	3,723,128	-	506,597	-	4,229,725
- In USD	14,094,190	-	90,494	-	14,184,684
Profit or loss					
General administrative expenses	-	-	(17,991)	-	(17,991)

26 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2011 and related profit or loss amounts of transactions for the year ended 31 December 2011 with other related parties are as follows.

	Parent company		Other subsidiaries of the parent company		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position					
ASSETS					
Cash and cash equivalents					
- In USD	-	-	1,152	-	1,152
- In RUR	-	-	74	-	74
Other assets	-	-	221,536	-	221,536
LIABILITIES					
Deposits and balances from banks and other financial institutions					
- In KZT	-	-	1,577	-	1,577
Current accounts and deposits from customers					
- In KZT	698,883	-	-	-	698,883
- In USD	14,840,000	-	-	-	14,840,000
Other liabilities	9,521	-	-	-	9,521
Profit or loss					
Interest income	-	-	137	-	137

27 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

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

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	16,485,215	-	-	16,485,215	16,485,215
Available-for-sale financial assets	-	5,956,883	-	5,956,883	5,956,883
Mandatory reserve with NBRK	952,243	-	-	952,243	952,243
Loans customers					
Loans to legal entities	25,614,508	-	-	25,614,508	26,951,312
Loans to retail customers	3,032,547	-	-	3,032,547	3,677,577
Other financial assets	-	-	206,745	206,745	206,745
	46,084,513	**5,956,883**	**206,745**	**52,248,141**	**54,229,975**
Deposits and balances from banks and other financial institutions	-	-	1,647,693	1,647,693	1,671,085
Current accounts and deposits from customers	-	-	40,377,067	40,377,067	40,377,067
Other financial liabilities	-	-	21,325	21,325	21,325
	-	**-**	**42,046,085**	**42,046,085**	**42,069,477**

27 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and liabilities as at 31 December 2011:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	17,759,217	-	-	17,759,217	17,759,217
Available-for-sale financial assets	-	6,366,393	-	6,366,393	6,366,393
Mandatory reserve with NBRK	903,111	-	-	903,111	903,111
Loans customers					
Loans to legal entities	18,849,212	-	-	18,849,212	21,187,446
Loans to retail customers	4,348,719	-	-	4,348,719	3,814,974
Other financial assets	-	-	227,814	227,814	227,814
	41,860,259	**6,366,393**	**227,814**	**48,454,466**	**50,258,955**
Deposits and balances from banks and other financial institutions	-	-	2,113,808	2,113,808	2,342,920
Current accounts and deposits from customers	-	-	34,008,836	34,008,836	34,008,836
Amounts payable under repurchase agreements	-	-	3,000,056	3,000,056	3,000,056
Other financial liabilities	-	-	21,325	21,325	21,325
	-	**-**	**39,144,025**	**39,144,025**	**39,373,137**

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

Accounting classifications and fair values, continued

The Bank uses widely recognised valuation models for determining the fair values of financial instruments. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair value hierarchy

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

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

As at 31 December 2012 and 2011 the Bank measured the fair value of available-for-sale assets using valuation technique based on observable inputs (Level 2).