



Bank “Astana-finance” JSC

Financial Statements
for the year ended 31 December 2013

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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 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



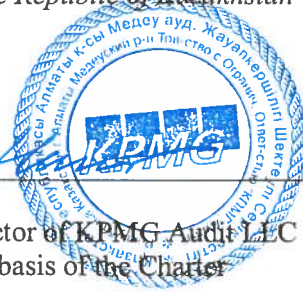

Alla Nigay
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No.536 of 10 January 2003



Ashley Clarke
Audit Partner

KPMG Audit LLC

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



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

15 April 2014

Bank "Astana-finance" JSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013

	2013	2012
Note	KZT'000	KZT'000
Interest income	4,887,284	5,007,505
Interest expense	(1,382,029)	(1,457,674)
Net interest income	3,505,255	3,549,831
Fee and commission income	316,138	359,551
Fee and commission expense	(28,624)	(30,331)
Net fee and commission income	287,514	329,220
Net foreign exchange gain	65,727	89,326
Other operating income	41,801	49,339
Operating income	3,900,297	4,017,716
Impairment losses	(922,742)	(1,179,286)
Personnel expenses	(1,236,293)	(959,818)
Other general administrative expenses	(778,284)	(560,876)
Profit before income tax	962,978	1,317,736
Income tax benefit/(expense)	4,538	(24,372)
Profit for the year	967,516	1,293,364
Other comprehensive income, net of income tax		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	110,647	(409,524)
Other comprehensive income for the year, net of income tax	110,647	(409,524)
Total comprehensive income for the year	1,078,163	883,840

The financial statements as set out on pages 5 to 57 were approved by the Management Board on 15 April 2014 and were signed on its behalf by:



 Kumpeisov Dauren Dumanovich
Chairman of the Management Board


 Kokanova Zhanar Zhalgasbayevna
Acting Chief Accountant

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

Bank "Astana-finance" JSC
Statement of Financial Position as at 31 December 2013

	Note	2013 KZT'000	2012 KZT'000
ASSETS			
Cash and cash equivalents	11	26,566,357	17,437,458
Available-for-sale financial assets	12	6,067,544	5,956,883
Loans and advances to banks and other financial institutions	13	9,563,470	-
Loans to customers	14	33,660,741	28,647,055
Property, equipment and intangible assets	15	545,231	448,412
Deferred tax asset	10	49,998	45,460
Other assets	16	3,152,949	612,985
Total assets		79,606,290	53,148,253
LIABILITIES			
Deposits and balances from banks and other financial institutions	17	8,949,140	1,647,693
Current accounts and deposits from customers	18	58,412,045	40,377,067
Other liabilities	19	134,671	91,222
Total liabilities		67,495,856	42,115,982
EQUITY			
Share capital	20	12,785,466	7,685,466
Additional paid-in-capital	20	(112,895)	4,987,105
General reserve		957,976	-
Revaluation reserve for available-for-sale financial assets		(207,151)	(317,798)
Accumulated losses		(1,312,962)	(1,322,502)
Total equity		12,110,434	11,032,271
Total liabilities and equity		79,606,290	53,148,253

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

Bank "Astana-finance" JSC
Statement of Cash Flows for the year ended 31 December 2013

	2013	2012
	KZT'000	KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	3,758,248	4,370,840
Interest payments	(1,382,749)	(1,376,205)
Fee and commission receipts	303,166	354,749
Fee and commission payments	(28,624)	(30,357)
Net receipts from foreign exchange	63,428	88,407
Other receipts	34,432	49,339
Personnel payments	(1,230,526)	(953,082)
Other general administrative payments	(675,102)	(437,420)
(Increase)/decrease in operating assets		
Loans and advances to banks and other financial institutions	(9,577,005)	-
Loans to customers	(4,667,826)	(6,015,325)
Other assets	(2,651,975)	24,111
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	7,301,931	(463,115)
Current accounts and deposits from customers	18,035,214	6,283,708
Amounts payable under repurchase agreements	-	(3,000,002)
Other liabilities	37,682	(13,758)
Cash flows from/(used in) operating activities	9,320,294	(1,118,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(215,307)	(107,679)
Sales of property, equipment and intangible assets	22,675	-
Cash flows used in investing activities	(192,632)	(107,679)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of prepaid capital contribution (Note 20)	(5,100,000)	-
Proceeds from issuance of share capital	5,100,000	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	9,127,662	(1,225,789)
Effect of changes in exchange rates on cash and cash equivalents	1,237	919
Cash and cash equivalents as at the beginning of the year	17,437,458	18,662,328
Cash and cash equivalents as at the end of the year (Note 11)	26,566,357	17,437,458

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

Bank "Astana-finance" JSC
Statement of Changes in Equity for the year ended 31 December 2013

KZT'000	Share capital	Additional paid-in-capital	General reserve	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2012	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						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
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
Total comprehensive income						
Profit for the year	-	-	-	-	967,516	967,516
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Net change in fair value of available-for-sale financial assets	-	-	-	110,647	-	110,647
Total other comprehensive income	-	-	-	110,647	-	110,647
Total comprehensive income for the year	-	-	-	110,647	967,516	1,078,163
Transactions with owners, recorded directly in equity						
Shares issued (Note 20)	5,100,000	(5,100,000)	-	-	-	-
Distribution to reserves (Note 20)	-	-	957,976	-	(957,976)	-
Total transactions with owners	5,100,000	(5,100,000)	957,976	-	(957,976)	-
Balance as at 31 December 2013	12,785,466	(112,895)	957,976	(207,151)	(1,312,962)	12,110,434

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 transactions 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 Organisations 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.

(b) Shareholders

As at 31 December 2013 and 2012, the following shareholders own the outstanding common shares:

<i>Shareholders</i>	31 December 2013	31 December 2012
	%	%
“Astana Finance” JSC	50.90	100.00
Rakishev K.	30.68	-
Tokhtarov O.	18.42	-
	100.00	100.00

As at 31 December 2012 the Bank was wholly-owned by “Astana-finance” JSC (the “Company”).

On 19 March 2010, the Agency signed a multilateral agreement with the Bank, “Astana-finance” JSC and other subsidiaries of the Company prohibiting certain intergroup transactions.

On 19 May 2010 the 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 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.

On 21 January 2013 “Astana Finance” JSC and two individuals, Mr. Rakishev K.H. and Mr. Tokhtarov O.T., signed an agreement on sale of 100% of shares of the Bank. On 3 May 2013 Astana Finance disposed 49% of its shareholding in the Bank, when the share sale deal was approved by the Committee and new shareholders were granted the status of significant shareholders. The disposal of the remaining 51% of issued shares is being subject to satisfaction of the conditions precedent of the Company completing the restructuring. Management of the Bank determined that although “Astana Finance” JSC owns 51% of shares of the Bank as at 31 December 2013, it lost control over the Bank when new shareholders acquired 49% of the shares of the Bank on 3 May 2013. This is because the Company’s status of a bank holding company has been previously revoked by the Committee and as a result the Company’s voting rights are suspended.

On 30 December 2013 new shareholders purchased additional 15,000 shares of the Bank (see Note 20).

1 Background, continued

(c) Kazakhstan 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.

(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 IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 14 – "Loans to customers" and Note 10 – "Income tax (benefit)/expense".

(e) Changes in accounting policies and presentation

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

- IFRS 13 *Fair Value Measurements* (see (i))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (see (ii))
- *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (iii)).

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

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the prices at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. (see note 27).

As a result, the Bank adopted a new definition of fair value, as set out in note 3(c)(v). The change had no significant impact on the measurements of assets and liabilities. However, the Bank included new disclosures in the financial statements that are required under IFRS 13.

(ii) Presentation of items of other comprehensive income

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

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

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

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

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

(f) Changes in presentation – prior year reclassification

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

In the statement of financial position as at 31 December 2012 mandatory reserve with the NBRK of KZT 952,243 thousand was included in cash and cash equivalents. As a result, in the statement of cash flows for the year ended 31 December 2012 cash flows used in operating activities decreased by KZT 49,132 thousand. Management believes that this presentation is more appropriate in accordance with IFRS and provides a clearer view of the financial position and performance of the Bank.

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

2 Basis of preparation, continued

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

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Statement of financial position as at 31 December 2012			
Cash and cash equivalents	17,437,458	952,243	16,485,215
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	(952,243)	952,243
Statement of cash flows for the year ended 31 December 2012			
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	49,312	(49,312)
Cash flows used in operating activities	(1,118,110)	49,132	(1,167,242)
Net decrease in cash and cash equivalents	(1,225,789)	49,132	(1,274,921)
Cash and cash equivalents as at the beginning of the year	18,662,328	903,111	17,759,217
Cash and cash equivalents as at the end of the year	17,437,458	952,243	16,485,215

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, except as explained in note 2 (e), which addresses changes in accounting policies.

(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, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

(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.

3 Significant accounting policies, continued

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

The 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.

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 foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

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

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

(iv) Amortised cost

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

(v) Fair value measurement principles

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

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 transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(v) Fair value measurement principles, continued

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

(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.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(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.

(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	7 years;
- vehicles	7 years;
- computer equipment	3 years;
- leasehold improvements	3-5 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.

3 Significant accounting policies, continued

(g) Impairment

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

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the 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 group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

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

(i) *Financial assets carried at amortised cost*

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis. 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 or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

In some cases the observable data required to estimate the amount of 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 judgment 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.

3 Significant accounting policies, continued

(g) Impairment, continued

(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.

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.

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

3 Significant accounting policies, continued

(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.

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 2013, 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 third phase of IFRS 9 was issued in November 2013 and relates general hedge accounting. 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.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2013 KZT'000	2012 KZT'000
Interest income		
Loans to customers	4,434,608	4,686,807
Available-for-sale financial assets	319,414	320,388
Loans and advances to banks	133,262	310
	4,887,284	5,007,505
Interest expense		
Current accounts and deposits from customers	(1,259,203)	(1,302,151)
Deposits and balances from banks and other financial institutions	(119,689)	(155,523)
Amounts payable under repurchase agreements	(3,137)	-
	(1,382,029)	(1,457,674)
	3,505,255	3,549,831

Included within various line items under interest income for the year ended 31 December 2013 is a total of KZT 1,870,278 thousand (2012: KZT 495,817 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2013 KZT'000	2012 KZT'000
Guarantee and letter of credit issuance	167,121	182,878
Foreign exchange	53,773	95,765
Settlement	50,202	39,655
Cash transactions	29,282	28,547
Loan origination fee	4,620	5,485
Other	11,140	7,221
	316,138	359,551

6 Fee and commission expense

	2013 KZT'000	2012 KZT'000
Credit transactions	13,776	17,947
Payment transfers	11,125	9,567
Other	3,723	2,817
	28,624	30,331

7 Impairment losses

	2013 KZT'000	2012 KZT'000
Loans to customers	488,354	1,202,852
Other assets	412,379	(23,566)
Loans and advances to banks and other financial institutions	22,009	-
	922,742	1,179,286

8 Personnel expenses

	2013 KZT'000	2012 KZT'000
Employee compensation	1,122,441	873,323
Payroll related taxes	113,852	86,495
	1,236,293	959,818

9 Other general administrative expenses

	2013 KZT'000	2012 KZT'000
Operating lease expense	159,595	140,818
Insurance	136,405	17,747
Depreciation and amortisation	103,182	88,149
Repairs and maintenance	64,693	79,612
Travel expenses	49,905	16,917
Taxes other than on income	49,365	33,451
Security	49,276	46,874
Communications and information services	32,002	28,462
Professional services	24,051	24,638
Transportation	23,600	18,430
Utilities and cleaning services	22,332	20,472
Advertising and marketing	19,281	2,150
Representation	3,945	3,756
Training	2,864	7,743
Encashment services	2,674	2,093
Fines and penalties	289	379
Other	34,825	29,185
	778,284	560,876

10 Income tax benefit/(expense)

	2013 KZT'000	2012 KZT'000
Deferred taxation movement due to origination and reversal of temporary differences	4,538	(24,372)
Total income tax benefit/(expense)	4,538	(24,372)

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

Reconciliation of effective tax rate:

	2013 KZT'000	%	2012 KZT'000	%
Profit before income tax	962,978	100	1,317,736	100
Income tax at the applicable tax rate	(192,596)	(20)	(263,547)	(20)
(Non-deductible expenses)/non-taxable income	93,603	10	1,224	-
Change in unrecognised deferred tax assets	103,531	11	237,951	18
	4,538	-	(24,372)	(2)

10 Income tax expense, continued

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 2013 and 2012. 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 2013 and 2012 are presented as follows.

2013	Balance	Recognised	Balance
KZT'000	1 January 2013	in profit or loss	31 December 2013
Property, equipment and intangible assets	(13,939)	11,367	(2,572)
Loans to customers	-	17,854	17,854
Other assets	53,459	(52,148)	1,311
Interest payable on deposits and balances from banks and other financial institutions	-	6,365	6,365
Interest payable on current accounts and deposits from customers	-	19,947	19,947
Vacation reserve	5,940	1,153	7,093
	45,460	4,538	49,998

2012	Balance	Recognised	Balance
KZT'000	1 January 2012	in profit or loss	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

Unrecognised deferred tax asset

During the year ended 31 December 2013 previously unrecognised deferred tax assets of KZT 103,531 thousand (2012: KZT 237,951 thousand) in relation to tax loss carry-forwards were utilised.

11 Cash and cash equivalents

	2013 KZT'000	2012 KZT'000
Cash on hand	524,835	479,664
Nostro accounts with the NBRK	25,556,422	16,605,424
Nostro accounts with other banks		
- rated A- to A+	-	300,285
- rated from BB- to BB+	62,842	31,861
- rated below B+	420,851	19,016
- not rated	1,407	1,208
Total nostro accounts with other banks	485,100	352,370
	26,566,357	17,437,458

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

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

As at 31 December 2013 the Bank has one bank (31 December 2012: one bank), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2013 is KZT 25,556,422 thousand (2012: KZT 16,605,424 thousand).

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the two week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Bank liabilities. As at 31 December 2013 the minimum reserve is KZT 1,458,456 thousand (31 December 2012: KZT 952,243 thousand).

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.

13 Loans and advances to banks and other financial institutions

	2013 KZT'000	2012 KZT'000
Loans		
Other financial institutions	908,396	-
Gross loans	908,396	-
Impairment allowance	(22,009)	-
Net loans	886,387	-
Reverse repurchase agreements	8,677,083	-
	9,563,470	-

In December 2013 the Bank concluded reverse repurchase agreements at Kazakhstan Stock Exchange auto-repo market in the amount of KZT 8,677,083 thousand.

13 Loans and advances to banks and other financial institutions, continued

Movement in the loan impairment allowance of loans and advances to banks and other financial institutions for the year ended 31 December 2013 is as follows:

	2013 KZT'000
Balance at the beginning of the year	-
Net charge	22,009
Balance at the end of the year	22,009

(a) Collateral accepted as security

As at 31 December 2013 treasury bills of the Ministry of Finance of the Republic of Kazakhstan with fair value of KZT 9,179,839 thousand were accepted as collateral for reverse repurchase agreements.

14 Loans to customers

	2013 KZT'000	2012 KZT'000
Loans to corporate customers		
Loans to large corporates	16,103,674	10,171,582
Loans to small and medium size companies	20,433,115	18,315,106
Total loans to corporate customers	36,536,789	28,486,688
Loans to retail customers		
Mortgage loans	1,205,186	2,878,400
Consumer loans	538,772	624,530
Auto loans	1,939	4,846
Other	336,575	23,685
Total loans to retail customers	2,082,472	3,531,461
Gross loans to customers	38,619,261	32,018,149
Impairment allowance	(4,958,520)	(3,371,094)
Net loans to customers	33,660,741	28,647,055

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	2,872,180	498,914	3,371,094
Net charge/(recovery)	930,905	(442,551)	488,354
Recovery of previously written-off loans	1,098,465	3,780	1,102,245
Effect of foreign currency translation	(3,134)	(39)	(3,173)
Balance at the end of the year	4,898,416	60,104	4,958,520

14 Loans to customers, continued

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

(a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	12,330,605	(259,401)	12,071,204	2.10
Impaired loans:				
- not past due	483,278	-	483,278	-
- overdue less than 30 days	996,471	-	996,471	-
- overdue 30-89 days	106,183	(5,686)	100,497	5.35
- overdue 90-179 days	286,431	(266,431)	20,000	93.02
- overdue 180-360 days	282,406	(35,862)	246,544	12.70
- overdue more than 360 days	1,618,300	(1,387,997)	230,303	85.77
Total impaired loans	3,773,069	(1,695,976)	2,077,093	44.95
Total loans to large corporates	16,103,674	(1,955,377)	14,148,297	12.14
Loans to small and medium size companies				
Loans without individual signs of impairment	6,307,023	(103,221)	6,203,802	1.64
Impaired loans:				
- not past due	10,006,778	(1,037,464)	8,969,314	10.37
- overdue less than 30 days	787,593	(305,366)	482,227	38.77
- overdue 30-89 days	1,065,019	(663,568)	401,451	62.31
- overdue 90-179 days	520,973	-	520,973	-
- overdue 180-360 days	1,327,571	(539,729)	787,842	40.66
- overdue more than 360 days	418,158	(299,377)	118,781	71.59
Total impaired loans	14,126,092	(2,845,504)	11,280,588	20.14
Total loans to small and medium size companies	20,433,115	(2,948,725)	17,484,390	14.43
Total loans to corporate customers	36,536,789	(4,898,416)	31,638,373	13.41

14 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans,
	KZT'000	KZT'000	KZT'000	%
Loans to retail customers				
Mortgage loans				
- not past due	188,981	(116)	188,865	0.06
- overdue less than 30 days	157,058	(14)	157,044	0.01
- overdue 30-89 days	198,772	(70)	198,702	0.04
- overdue 90-179 days	200,743	(2,381)	198,362	1.19
- overdue 180-360 days	169,249	(780)	168,469	0.46
- overdue more than 360 days	290,383	(23,699)	266,684	8.16
Total mortgage loans	1,205,186	(27,060)	1,178,126	2.25
Consumer loans				
- not past due	198,205	(369)	197,836	0.19
- overdue less than 30 days	41,728	(128)	41,600	0.31
- overdue 30-89 days	31,480	-	31,480	-
- overdue 90-179 days	17,130	(828)	16,302	4.83
- overdue 180-360 days	42,277	(3,984)	38,293	9.42
- overdue more than 360 days	207,952	(12,239)	195,713	5.89
Total consumer loans	538,772	(17,548)	521,224	3.26
Auto loans				
- not past due	622	-	622	-
- overdue 90-179 days	1,317	-	1,317	-
Total auto loans	1,939	-	1,939	-
Other loans to retail customers				
- not past due	241,268	(571)	240,697	0.24
- overdue 90-179 days	95,271	(14,920)	80,351	15.66
- overdue more than 180 days	36	(4)	32	11.11
Total other loans to retail customers	336,575	(15,496)	321,079	4.60
Total loans to retail customers	2,082,472	(60,104)	2,022,368	2.89
Total loans to customers	38,619,261	(4,958,520)	33,660,741	12.84

14 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 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	<u>1,837,608</u>	<u>(425,328)</u>	<u>1,412,280</u>	<u>23.15</u>
Total loans to large corporates	<u>10,171,582</u>	<u>(570,701)</u>	<u>9,600,881</u>	<u>5.61</u>
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	<u>4,650,137</u>	<u>(2,107,817)</u>	<u>2,542,320</u>	<u>45.33</u>
Total loans to small and medium size companies	<u>18,315,106</u>	<u>(2,301,479)</u>	<u>16,013,627</u>	<u>12.57</u>
Total loans to corporate customers	<u>28,486,688</u>	<u>(2,872,180)</u>	<u>25,614,508</u>	<u>10.08</u>

14 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans	Impairment	Net loans	Impairment
	KZT'000	allowance	KZT'000	allowance to
		KZT'000	KZT'000	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

As at 31 December 2013 included in the loan portfolio are renegotiated loans to corporate and retail customers that would otherwise be past due of KZT 4,004,871 thousand and KZT 851 thousand, respectively (2012: KZT 4,135,867 thousand and KZT 263,675 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

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

14 Loans to customers, continued

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

(i) *Loans to corporate customers, continued*

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

- historic annual loss rate of 1.64%-2.10% (2012: 1.42%-1.74%)
- 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 2013 would be KZT 316,384 thousand lower/higher (2012: KZT 256,145 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 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 2013 would be KZT 20,224 thousand lower/higher (2012: KZT 30,325 thousand).

(c) Analysis of collateral

(i) *Loans to corporate customers*

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

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2013 and 2012:

	2013	% of loan	2012	% of loan
	KZT'000	portfolio	KZT'000	portfolio
Mixed	12,466,561	39.40	8,746,442	34.15
Grain	5,940,121	18.78	12,189,503	47.59
No collateral	4,173,082	13.19	309,660	1.21
Real estate	2,805,184	8.87	2,458,524	9.60
Land and rights of temporary land use	2,472,907	7.82	515,466	2.01
Guarantee	1,284,658	4.06	12,113	0.05
Cash deposit	354,556	1.12	104,791	0.41
Equipment	140,809	0.45	171,638	0.67
Other collateral	2,000,495	6.32	1,106,371	4.32
	31,638,373	100.00	25,614,508	100.00

14 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

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 15,518,113 thousand (2012: KZT 3,258,786 thousand), excluding the effect of overcollateralisation.

Loans to corporate customers without individual signs of impairment

As at 31 December 2013 the fair value of cash balances, serving as collateral for loans to corporate customers, is KZT 354,556 thousand (2012: KZT 57,513 thousand).

For remaining loans to corporate customers with a net carrying amount of KZT 18,275,006 thousand (2012: KZT 21,602,395 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 2013, for loans to corporate customers with a carrying amount of KZT 3,777,727 thousand (2012: KZT 9,242,288 thousand) management estimates that the fair value of collateral is at least equal to their carrying amounts.

Repossessed collateral

During the year ended 31 December 2013, the Bank obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 287,396 thousand (31 December 2012: 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 471,853 thousand (2012: KZT 1,042,179 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 334,057 thousand (2012: KZT 744,165 thousand).

For mortgage loans with a net carrying amount of KZT 706,273 thousand (2012: KZT 1,558,498 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 215,209 thousand (2012: KZT 178,256 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 46,273 thousand (2012: KZT 119,181 thousand).

14 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers, continued

Consumer loans, continued

For consumer loans with a net carrying amount of KZT 306,015 thousand (2012: KZT 225,535 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:

	2013	2012
	KZT'000	KZT'000
Agriculture, forestry and timber	13,335,540	11,935,015
Trade	8,803,744	9,950,123
Mining/metallurgy	4,514,336	1,275,585
Construction	4,008,804	179,967
Loans to retail customers	2,082,472	3,531,461
Manufacturing	639,999	943,663
Real estate	477,352	1,468,330
Other	4,757,014	2,734,005
	38,619,261	32,018,149
Impairment allowance	(4,958,520)	(3,371,094)
	33,660,741	28,647,055

(e) Significant credit exposures

As at 31 December 2013 the Bank has ten borrowers (2012: twelve borrowers), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2013 is KZT 13,461,739 thousand (2012: KZT 14,694,592 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.

15 Property, equipment and intangible assets

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Leasehold improvements	Intangible assets	Total
<i>Cost</i>							
Balance at 1 January 2013	240,039	154,241	81,275	116,755	101	153,600	746,011
Additions	-	7,608	80,038	9,505	-	118,156	215,307
Disposals	-	(1,388)	(28,145)	(146)	-	-	(29,679)
Balance at 31 December 2013	240,039	160,461	133,168	126,114	101	271,756	931,639
<i>Depreciation and amortisation</i>							
Balance at 1 January 2013	11,976	89,490	16,408	77,445	66	102,214	297,599
Depreciation and amortisation for the year	2,645	19,606	16,696	16,793	14	47,428	103,182
Disposals	-	(1,144)	(13,083)	(146)	-	-	(14,373)
Balance at 31 December 2013	14,621	107,952	20,021	94,092	80	149,642	386,408
<i>Carrying amount</i>							
At 31 December 2013	225,418	52,509	113,147	32,022	21	122,114	545,231

15 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Leasehold improvements	Intangible assets	Total
<i>Cost</i>							
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
<i>Depreciation and amortisation</i>							
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
<i>Carrying amounts</i>							
At 31 December 2012	228,063	64,751	64,867	39,310	35	51,386	448,412
At 1 January 2012	238,062	73,387	21,960	34,545	53,148	58,467	479,569

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

16 Other assets

	2013 KZT'000	2012 KZT'000
Other accounts receivable	2,338,610	195,665
Accrued commission income	24,147	11,080
Total other financial assets	2,362,757	206,745
Foreclosed assets	603,686	316,290
Prepayments	98,205	66,251
Materials and supplies	20,421	14,697
Prepaid taxes other than on income	13,821	5,699
Other	551,404	11,069
Impairment allowance	(497,345)	(7,766)
Total other non-financial assets	790,192	406,240
Total other assets	3,152,949	612,985

As at 31 December 2013 other accounts receivable include KZT 2,204,493 thousand due from the Bank's brokerage company, "Asyl-Invest" JSC, which are transferred as a guarantee for future repo agreements.

Analysis of movements in the impairment allowance

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

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	7,766	31,332
Net charge/(recovery)	412,379	(23,566)
Recovery of previously written-off other assets	77,200	-
Balance at the end of the year	497,345	7,766

As at 31 December 2013, included in other assets are overdue receivables from third parties in the amount of KZT 413,592 thousand (2012: KZT 2,656 thousand) and KZT 84,634 thousand (2012: KZT 7,434 thousand), which are overdue for more than 90 days but less than one year and overdue for more than one year, respectively.

17 Deposits and balances from banks and other financial institutions

	2013 KZT'000	2012 KZT'000
Loans	8,183,590	1,647,693
Term deposits	765,550	-
	8,949,140	1,647,693

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 with a total balance of KZT 1,176,923 thousand (2012: KZT 1,647,693 thousand) and the National Management Holding "Kaz-Agro" JSC under the agro-industrial financing program with a total balance of KZT 7,006,667 thousand (2012: nil).

18 Current accounts and deposits from customers

	2013	2012
	KZT'000	KZT'000
Corporate current accounts and demand deposits	51,493,605	34,444,624
Corporate term deposits	6,918,440	5,932,443
	58,412,045	40,377,067

As at 31 December 2013, included in current accounts and demand deposits are current accounts of the Bank's shareholder, Astana Finance JSC, of KZT 30,282,942 thousand (2012: KZT 17,817,318 thousand). As at 31 December 2013, the Bank has seven customers (2012: four customers), whose balances exceed 10% of equity. These balances as at 31 December 2013 amount to KZT 50,859,003 thousand (2012: KZT 34,873,949 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.

As at 31 December 2013, the Bank maintained customer deposit balances of KZT 788,477 thousand (2012: KZT 994,006 thousand) that serve as collateral for loans and off-balance credit instruments granted by the Bank.

19 Other liabilities

	2013	2012
	KZT'000	KZT'000
Accrued operating expenses	19,006	19,924
Payables on guarantees and letters of credit issued	403	1,347
Payables to employees	54	54
Total other financial liabilities	19,463	21,325
Prepayments on banking operations	44,142	30,729
Vacation reserve	35,467	29,700
Other taxes payable	33,542	9,031
Other non-financial liabilities	2,057	437
Total other non-financial liabilities	115,208	69,897
Total other liabilities	134,671	91,222

20 Share capital

(a) Issued capital

As at 31 December 2013, the authorised share capital comprised 32,000,000 shares (2012: 32,000,000 ordinary shares) and authorised, issued and fully paid share capital comprised 7,700,466 ordinary shares (2012: 7,685,466 ordinary shares). The shares do not have a par value. During the year ended 31 December 2013 15,000 ordinary shares were issued at KZT 340,000 per share.

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

20 Share capital, continued

(b) Additional paid-in-capital

As at 31 December 2012 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 "Astana Finance" JSC 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, "Astana Finance" JSC, being the 100% owner of the Bank, has to be granted the status of a bank holding company by the Committee in order for the shares to be legally registered. The Committee has refused to grant the Company the status of a bank holding company. Consequently, the Bank's registrar, "Fondoviy Centr" JSC, had not registered the shares.

On 21 January 2013 two individuals, Mr. Rakishev K.H. and Mr. Tokhtarov O.T., signed an agreement to purchase 100% of the shares of the Bank from "Astana Finance" JSC (see Note 1). In conjunction with this purchase of shares, the new shareholders agreed that the Bank would return the prepaid capital contribution of KZT 5,100,000 thousand, as described above, to "Astana Finance" JSC.

On 30 December 2013 the Bank returned this amount to the new shareholders, who used these proceeds to purchase an additional 15,000 shares of the Bank at KZT 340,000 per one share.

(c) General reserve

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

A transfer from retained earnings to the general reserve in the amount of KZT 957,976 thousand was made for the year ended 31 December 2013 (2012: nil).

(d) Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(e) 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 967,516 thousand (2012: KZT 1,293,364 thousand).

As at 31 December 2013 and 2012 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.

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	Non-interest bearing	Carrying amount
31 December 2013							
ASSETS							
Available-for-sale financial assets	-	-	-	1,125,440	4,942,104	-	6,067,544
Loans and advances to banks and other financial institutions	8,686,544	-	-	876,926	-	-	9,563,470
Loans to customers	10,197,639	2,346,161	5,287,176	14,635,024	1,194,741	-	33,660,741
	18,884,183	2,346,161	5,287,176	16,637,390	6,136,845	-	49,291,755
LIABILITIES							
Deposits and balances from banks and other financial institutions	253,846	6,667	996,319	4,192,308	3,500,000	-	8,949,140
Current accounts and deposits from customers	547,009	1,275,634	4,845,981	249,816	-	51,493,605	58,412,045
	800,855	1,282,301	5,842,300	4,442,124	3,500,000	51,493,605	67,361,185
	18,083,328	1,063,860	(555,124)	12,195,266	2,636,845	(51,493,605)	(18,069,430)
31 December 2012							
ASSETS							
Available-for-sale financial assets	90,610	8,478	25,339	681,329	5,151,127	-	5,956,883
Loans to customers	9,035,656	502,410	4,065,557	12,511,469	2,531,963	-	28,647,055
	9,126,266	510,888	4,090,896	13,192,798	7,683,090	-	34,603,938
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	1,803,816	889,488	2,489,157	749,982	-	34,444,624	40,377,067
	2,066,893	889,488	2,719,926	1,903,829	-	34,444,624	42,024,760
	7,059,373	(378,600)	1,370,970	11,288,969	7,683,090	(34,444,624)	(7,420,822)

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 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2013		2012	
	Average effective interest rate, %		Average effective interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Available-for-sale financial assets	5.19	-	5.19	-
Loans and advances to banks and other financial institutions				
- Loans	14.56	-	-	-
- Reverse repurchase agreements	4.25	-	-	-
Loans to customers	12.56	10.22	13.61	5.50
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- Loans	9.72	-	8.00	-
- Term deposits	5.91	-	-	-
Current accounts and deposits from customers				
- Term deposits	7.66	3.50	7.85	-

(iii) Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest 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 2013 and 2012 is as follows:

	2013 KZT'000	2012 KZT'000
100 bp parallel fall	(130,792)	(50,265)
100 bp parallel rise	130,792	50,265

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 2013 and 2012 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2013		2012	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
	100 bp parallel fall	-	423,727	-
100 bp parallel rise	-	(385,038)	-	(406,549)

21 Risk management, continued

(b) Market risk, continued

(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 2013:

	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	21,706,458	19,032	58,184	21,783,674
Loans to customers	1,017,317	-	-	1,017,317
Total assets	22,723,775	19,032	58,184	22,800,991
LIABILITIES				
Current accounts and deposits from customers	21,581,767	-	42,702	21,624,469
Total liabilities	21,581,767	-	42,702	21,624,469
Net position as at 31 December 2013	1,142,008	19,032	15,482	1,176,522

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

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

21 Risk management, continued

(b) Market risk, continued

(iv) Currency risk, continued

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 2013 and 2012 and a simplified scenario of a 10% change in USD and Euro to Kazakhstan Tenge exchange rates is as follows.

	2013 KZT'000	2012 KZT'000
20% appreciation of USD against KZT	182,721	8,193
5% depreciation of USD against KZT	(45,680)	(2,048)
20% appreciation of EUR against KZT	3,045	15,054
5% depreciation of EUR against KZT	(761)	(3,763)

(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.

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.

21 Risk management, continued

(c) Credit risk, continued

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:

	2013	2012
	KZT'000	KZT'000
ASSETS		
Cash equivalents	26,041,522	16,957,794
Available-for-sale financial assets	6,067,544	5,956,883
Loans and advances to banks and other financial institutions	9,563,470	-
Loans to customers	33,660,741	28,647,055
Other financial assets	2,362,757	206,745
Total maximum exposure	77,696,034	51,768,477

Collateral generally is not held against claims under loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 14.

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

As at 31 December 2013 the Bank has two counterparties (2012: one counterparty), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for these counterparties as at 31 December 2013 is KZT 34,233,505 thousand (2012: KZT 16,605,424 thousand).

(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 even 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.

21 Risk management, continued

(d) Liquidity risk, continued

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.

(i) *Offsetting financial assets and financial liabilities*

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

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

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

- sale and repurchase, and reverse sale and repurchase agreements and
- loans to customers, securities lending and borrowing.

The securities received/given as collateral under sale and repurchase, and reverse sale and repurchase agreements can be pledged during the term of the transaction but must be returned on maturity of the transaction. The securities given as collateral under securities lending and borrowing cannot be pledged or sold during the term of the transaction and must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

21 Risk management, continued

(d) Liquidity risk, continued

(i) *Offsetting financial assets and financial liabilities, continued*

The table below shows financial assets subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Reverse repurchase agreements	8,677,083	-	8,677,083	(8,677,083)	-	-
Loans to customers	6,909,779	-	6,909,779	-	(354,556)	6,555,223
Total financial assets	15,586,862	-	15,586,862	(8,677,083)	(354,556)	6,555,223
Current accounts and deposits from customers	(354,556)	-	(354,556)	354,556	-	-
Total financial liabilities	(354,556)	-	(354,556)	354,556	-	-

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

Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Loans to customers	104,791	-	104,791	-	(104,791)	-
Total financial assets	104,791	-	104,791	-	(104,791)	-
Current accounts and deposits from customers	(104,791)	-	(104,791)	104,791	-	-
Total financial liabilities	(104,791)	-	(104,791)	104,791	-	-

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

21 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 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	23,077	230,769	1,004,405	620,449	11,229,712	13,108,412	8,949,140
Current accounts and deposits from customers	51,859,195	182,375	1,312,473	4,691,156	651,114	58,696,313	58,412,045
Other financial liabilities	9,595	-	9,868	-	-	19,463	19,463
Total liabilities	51,891,867	413,144	2,326,746	5,311,605	11,880,826	71,824,188	67,380,648
Credit related commitments	11,147,941	-	-	-	-	11,147,941	11,147,941

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

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:

	2013 KZT'000	2012 KZT'000
Demand and less than 1 month	365,007	1,803,816
From 1 to 3 months	182,002	-
From 3 to 12 months	6,121,615	3,378,645
From 1 to 5 years	249,816	749,982
	6,918,440	5,932,443

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 2013:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	26,566,357	-	-	-	-	-	-	26,566,357
Available-for-sale financial assets	-	-	-	1,125,440	4,942,104	-	-	6,067,544
Loans and advances to banks and other financial institutions	8,686,544	-	-	876,926	-	-	-	9,563,470
Loans to customers	852,029	8,033,212	7,633,337	14,635,024	1,194,741	-	1,312,398	33,660,741
Property, equipment and intangible assets	-	-	-	-	-	545,231	-	545,231
Deferred tax asset	-	-	-	49,998	-	-	-	49,998
Other assets	2,410,291	6,525	112,026	-	-	624,107	-	3,152,949
Total assets	38,515,221	8,039,737	7,745,363	16,687,388	6,136,845	1,169,338	1,312,398	79,606,290
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	23,077	230,769	1,002,986	4,192,308	3,500,000	-	-	8,949,140
Current accounts and deposits from customers	51,858,612	182,002	6,121,615	249,816	-	-	-	58,412,045
Other liabilities	13,283	35,195	86,193	-	-	-	-	134,671
Total liabilities	51,894,972	447,966	7,210,794	4,442,124	3,500,000	-	-	67,495,856
Net position	(13,379,751)	7,591,771	534,569	12,245,264	2,636,845	1,169,338	1,312,398	12,110,434

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	17,437,458	-	-	-	-	-	-	17,437,458
Available-for-sale financial assets	-	90,610	33,817	681,329	5,151,127	-	-	5,956,883
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	18,298,489	7,827,739	4,808,529	13,238,258	7,683,090	779,399	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	(174,408)	7,536,541	(16,639,529)	11,334,429	7,683,090	779,399	512,749	11,032,271

The amounts included in the “overdue” category represent only the portions of loans which are contractually overdue, and not the full balance.

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 2013, this minimum level is 14%. As at 31 December 2013 and 2012 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:

	2013 KZT'000 (Unaudited)	2012 KZT'000 (Unaudited)
Tier 1 capital		
Share capital	12,785,466	7,685,466
Statutory additional paid-in capital	(14,083)	(14,083)
General reserve	957,976	-
Statutory intangible assets	(7)	(30)
Statutory retained earnings – prior year	(2,245,806)	(2,507,377)
Total tier 1 capital	11,483,546	5,163,976
Tier 2 capital		
Statutory retained earnings – current year	779,468	1,212,149
Revaluation reserve for available-for-sale financial assets	(207,151)	(317,798)
Total tier 2 capital	572,317	894,351
Total capital	12,055,863	6,058,327
Risk-weighted assets		
Banking book	46,766,591	36,967,111
Total risk weighted assets	46,766,591	36,967,111
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	25.78%	16.39%
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	24.56%	13.97%

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.

22 Capital management, continued

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 and the Bank was not in compliance with minimum total capital requirement. In order to comply with the requirements set by the Committee, on 30 December 2013 the Bank's new shareholders made a contribution to share capital for the total amount of KZT 5,100,000 thousand (see Note 20). The shares were registered by the Bank's registrar, "Fondoviy Centr" JSC and included in the total capital calculated in accordance with NBRK requirements. As a result of the abovementioned events, the Bank was in compliance with the Committee's minimum total capital requirements as at 31 December 2013.

23 Credit related commitments

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

	2013 KZT'000	2012 KZT'000
Contracted amount		
Loan and credit line commitments	11,147,941	3,833,624
Guarantees and letters of credit	2,367,839	5,717,208
	13,515,780	9,550,832

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related 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 2013 the Bank had no counterparties (31 December 2012: 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.

24 Operating leases

As at 31 December 2013 and 2012 the Bank did not have significant non-cancellable operating lease rentals payable.

During the year of 2013 KZT 159,595 thousand was recognised as an expense in profit or loss in respect of operating leases (2012: KZT 140,818 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

As at 31 December 2013 the Bank is controlled by two individuals, who jointly own 49.10% of shares of the Bank (see Note 1).

As at 31 December 2012 "Astana-finance" JSC was the Bank's Parent Company and ultimate controlling party.

26 Related party transactions, continued

(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 2013 and 2012 is as follows:

	<u>2013</u> <u>KZT'000</u>	<u>2012</u> <u>KZT'000</u>
Short term employee benefits	163,977	96,357
Post employmente benefits	12,883	1,886
	<u>176,860</u>	<u>98,243</u>

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

The outstanding balances and average interest rates as at 31 December 2013 and 2012 for transactions with the members of the Management Board and the Board of Directors are as follows:

	<u>2013</u> <u>KZT'000</u>	<u>Average interest</u> <u>rate</u>	<u>2012</u> <u>KZT'000</u>	<u>Average interest</u> <u>rate</u>
Statement of financial position				
Loans to customers	3,324	12.0%	4,427	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:

	<u>2013</u> <u>KZT'000</u>	<u>2012</u> <u>KZT'000</u>
Profit or loss		
Interest income	264	519

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	<u>Shareholders</u>		<u>Other entities under</u> <u>control of shareholders</u>		
	<u>KZT'000</u>	<u>Average</u> <u>interest</u> <u>rate, %</u>	<u>KZT'000</u>	<u>Average</u> <u>interest</u> <u>rate, %</u>	<u>Total</u> <u>KZT'000</u>
Statement of financial position					
ASSETS					
Cash and cash equivalents					
- in USD	-	-	1,196	-	1,196
- in RUB	-	-	211	-	211
Other assets	-	-	136,150	-	136,150
LIABILITIES					
Current accounts and deposits					
from customers					
- Term deposits					
- in KZT	-	-	182,085	6.9%	182,085
- in USD	-	-	34,008	3.5%	34,008
- Current accounts and demand					
deposits					
- in KZT	10,794,352	-	9,132,373	-	19,926,725
- in USD	19,488,590	-	1,783,495	-	21,272,085
Profit or loss					
Interest expense	-	-	(5,430)	-	(5,430)
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 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		Total KZT'000
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	
Statement of financial position					
ASSETS					
Cash and cash equivalents					
- in KZT	-	-	1,170	-	1,170
- in USD	-	-	38	-	38
Other assets	-	-	182,887	-	182,887
LIABILITIES					
Current accounts and deposits from customers					
- Current accounts and demand deposits					
- 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)

27 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	26,566,357	-	-	26,566,357	26,566,357
Available-for-sale financial assets	-	6,067,544	-	6,067,544	6,067,544
Loans and advances to banks and other financial institutions	9,563,470	-	-	9,563,470	9,563,470
Loans customers					
Loans to corporate customers	31,638,373	-	-	31,638,373	31,906,822
Loans to retail customers	2,022,368	-	-	2,022,368	2,330,441
Other financial assets	2,362,757	-	-	2,362,757	2,362,757
	72,153,325	6,067,544	-	78,220,869	78,797,391
Deposits and balances from banks and other financial institutions					
	-	-	8,949,140	8,949,140	8,949,140
Current accounts and deposits from customers					
	-	-	58,412,045	58,412,045	57,259,156
Other financial liabilities					
	-	-	19,463	19,463	19,463
	-	-	67,380,648	67,380,648	66,227,759

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

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and 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	17,437,458	-	-	17,437,458	17,437,458
Available-for-sale financial assets	-	5,956,883	-	5,956,883	5,956,883
Loans customers					
Loans to corporate customers	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
	46,291,258	5,956,883	-	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

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

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

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

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.

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

(b) Fair value hierarchy

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

As at 31 December 2013 and 2012 the Bank measured the fair value of available-for-sale assets using valuation technique based on observable inputs (Level 2).

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

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and cash equivalents	-	26,566,357	-	26,566,357	26,566,357
Available-for-sale financial assets	-	6,067,544	-	6,067,544	6,067,544
Loans and advances to banks and other financial institutions	-	9,563,470	-	9,563,470	9,563,470
Loans to customers	-	19,479,547	14,757,716	34,237,263	33,660,741
Other financial assets	-	2,362,757	-	2,362,757	2,362,757
	-	64,039,675	14,757,716	78,797,391	78,220,869
Deposits and balances from banks and other financial institutions	-	8,949,140	-	8,949,140	8,949,140
Current accounts and deposits from customers	-	57,259,156	-	57,259,156	58,412,045
Other financial liabilities	-	19,463	-	19,463	19,463
	-	66,227,759	-	66,227,759	67,380,648

28 Subsequent events

On 31 March 2014 the Bank received license number 1.1.10 from the National Bank of the Republic of Kazakhstan on deposit taking and customer accounts maintenance of individuals.

Devaluation of the KZT

On 11 February 2014, the National Bank of the Republic of Kazakhstan ("the NBRK") announced that it would not maintain the tenge exchange rate at its previous level. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, down approximately 19% from the previous day's close of KZT 155.63 per USD. As the change in tenge rate occurred after the reporting date, these financial statements have not been adjusted for the tenge rate change.

Management is still in the process of evaluating the effects of the devaluation on the Bank. See Note 21 (b) for details of the Bank's exposure to foreign currency risk at the reporting date. Management's current assessment is that the devaluation will not affect the Bank's ability to meet its existing contractual obligations.