“Bank of Astana” JSC (formerly Bank “Astana-finance” JSC)

Financial Statements

for the year ended 31 December 2014

Contents

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

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

Independent Auditors' Report

To the Board of Directors of "Bank of Astana" JSC (formerly Bank "Astana-finance" JSC)

We have audited the accompanying financial statements of "Bank of Astana" JSC (formerly Bank "Astana-finance" JSC) (the "Bank"), which comprise the statement of financial position as at 31 December 2014, 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No.МФ-0000053 of 6 January 2012

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

16 April 2015

	Note	2014 KZT'000	2013 KZT'000
Interest income	4	7,443,541	4,887,284
Interest expense	4	(3,286,945)	(1,382,029)
Net interest income		**4,156,596**	**3,505,255**
Fee and commission income	5	531,425	316,138
Fee and commission expense	6	(54,385)	(28,624)
Net fee and commission income		**477,040**	**287,514**
Net foreign exchange gain		177,104	65,727
Net gain on other financial instruments at fair value through profit or loss		25,801	-
Other operating income	7	467,207	82,836
Other operating expense	7	(272,842)	(41,035)
Operating income		**5,030,906**	**3,900,297**
Impairment losses	8	(1,119,097)	(922,742)
Personnel expenses	9	(1,430,021)	(1,236,293)
Other general administrative expenses	10	(1,025,149)	(778,284)
Profit before income tax		**1,456,639**	**962,978**
Income tax (expense)/benefit	11	(64,661)	4,538
Profit for the year		**1,391,978**	**967,516**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		215,269	110,647
Items that will not be reclassified to profit or loss:			
Revaluation reserve for land and buildings			
- Net change in fair value	2 (e)	376,827	-
Other comprehensive income for the year, net of income tax		**592,096**	**110,647**
Total comprehensive income for the year		**1,984,074**	**1,078,163**

The financial statements as set out on pages 5 to 60 were approved by the Management Board on 16 April 2015 and were signed on its behalf by:

Mailibayev Iskender Yedygeevich
Chairman of the Management Board

Musaeva Zeynab Rakhmatullayevna
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.

	Note	2014 KZT'000	2013 KZT'000
ASSETS			
Cash and cash equivalents	12	34,102,608	26,566,357
Available-for-sale financial assets	13	705,839	6,067,544
Loans and advances to banks and other financial institutions	14	7,477,346	9,563,470
Loans to customers	15	81,204,263	33,660,741
Property, equipment and intangible assets	16	1,763,510	545,231
Deferred tax asset	11	18,337	49,998
Other assets	17	2,167,492	3,152,949
Total assets		**127,439,395**	**79,606,290**
LIABILITIES			
Deposits and balances from banks and other financial institutions	18	13,844,448	8,949,140
Current accounts and deposits from customers	19	94,973,470	58,412,045
Other liabilities	20	1,026,969	134,671
Total liabilities		**109,844,887**	**67,495,856**
EQUITY			
Share capital	21	16,285,466	12,785,466
Additional paid-in-capital		(112,895)	(112,895)
General reserve		957,976	957,976
Revaluation reserve for available-for-sale financial assets		8,118	(207,151)
Revaluation reserve for land and buildings		376,827	-
Retained earnings/(accumulated losses)		79,016	(1,312,962)
Total equity		**17,594,508**	**12,110,434**
Total liabilities and equity		**127,439,395**	**79,606,290**

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

	2014 KZT'000	2013 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	6,462,652	3,758,248
Interest payments	(3,065,111)	(1,382,749)
Fee and commission receipts	553,517	303,166
Fee and commission payments	(54,385)	(28,624)
Net receipts from financial instruments at fair value through profit and loss	25,801	-
Net receipts from foreign exchange	277,568	63,428
Other receipts	261,722	34,432
Personnel payments	(1,403,676)	(1,230,526)
Other general administrative payments	(820,624)	(675,102)
(Increase)/decrease in operating assets		
Loans and advances to banks and other financial institutions	2,172,984	(9,577,005)
Loans to customers	(45,724,527)	(4,667,826)
Other assets	856,533	(2,651,975)
Increase in operating liabilities		
Deposits and balances from banks and other financial institutions	4,560,933	7,301,931
Current accounts and deposits from customers	32,633,767	18,035,214
Other liabilities	785,799	37,682
Net cash (used in)/provided from operating activities before income tax paid	**(2,477,047)**	**9,320,294**
Income tax paid	(33,000)	-
Cash flows (used in)/from operating activities	**(2,510,047)**	**9,320,294**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale assets	(2,596,626)	-
Redemption of available-for-sale assets	8,066,117	-
Purchases of property, equipment and intangible assets	(1,223,303)	(215,307)
Sales of property, equipment and intangible assets	184,750	22,675
Cash flows from/(used in) investing activities	**4,430,938**	**(192,632)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of prepaid capital contribution (Note 21)	-	(5,100,000)
Proceeds from issuance of share capital	3,500,000	5,100,000
Cash flows from financing activities	**3,500,000**	**-**
Net increase in cash and cash equivalents	**5,420,891**	**9,127,662**
Effect of changes in exchange rates on cash and cash equivalents	2,115,360	1,237
Cash and cash equivalents as at the beginning of the year	26,566,357	17,437,458
Cash and cash equivalents as at the end of the year (Note 12)	**34,102,608**	**26,566,357**

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

KZT'000	Share capital	Additional paid-in-capital	General reserve	Revaluation reserve for available-for-sale financial assets	Revaluation reserve for land and buildings	Retained earnings/ (accumulated losses)	Total
Balance as at 1 January 2013	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							
Items that are or may be reclassified subsequently to profit or loss:							
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 21)	5,100,000	(5,100,000)	-	-	-	-	-
Distribution to reserves (Note 21)	-	-	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
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,391,978	1,391,978
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	-	215,269	-	-	215,269
Items that will not be reclassified to profit or loss:							
Revaluation of land and buildings	-	-	-	-	376,827	-	376,827
Total other comprehensive income	-	-	-	215,269	376,827	-	592,096
Total comprehensive income for the year	-	-	-	215,269	376,827	1,391,978	1,984,074
Transactions with owners, recorded directly in equity							
Shares issued (Note 21)	3,500,000	-	-	-	-	-	3,500,000
Total transactions with owners	3,500,000	-	-	-	-	-	3,500,000
Balance as at 31 December 2014	16,285,466	(112,895)	957,976	8,118	376,827	79,016	17,594,508

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 of Astana" JSC (formerly 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 National Bank of the Republic of Kazakhstan (the "NBRK"). 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. 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 and resumed these activities. On 10 March 2015 the Bank was re-registered as "Bank of Astana" JSC.

The Bank's registered office is located at 22, Koktem-2, Almaty, 050040, 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 2014 and 2013, the following shareholders own the outstanding common shares:

Shareholders	31 December 2014 %	31 December 2013 %
"Astana Finance" JSC	50.25	50.90
Rakishev K.	30.29	30.68
Tokhtarov O.	19.46	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 and 25 December 2014 new shareholders purchased an additional 15,000 and 100,000 shares of the Bank, respectively (see Note 21).

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 and land and buildings 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 15 – "Loans to customers".

(e) Changes in accounting policies and presentation

The Bank has adopted the IAS 32 Financial Instruments: Presentation - *Offsetting Financial Assets and Financial Liabilities* (see (i)), with a date of initial application of 1 January 2014.

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) Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32 Financial Instruments: Disclosure and 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 Bank does not expect that these amendments will have an impact on its financial statements as the Group does present financial assets and financial liabilities on net basis in the consolidated statement of financial position.

(ii) Property and equipment

During the year ended 31 December 2014 the Bank changed its accounting policy for land and buildings, and adopted a revaluation model, as management consider that this better reflects the financial position of the Bank. The effect of change in the accounting policy is KZT 376,827 thousand recognised in other comprehensive income as revaluation reserve (note 3(d (ii))).

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, except for land and buildings, which are stated at revalued amounts as described below

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

(ii) Revaluation

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

(iii) 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.

3 Significant accounting policies, continued

(e) Intangible assets, continued

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

(f) Foreclosed assets

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

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

(g) Impairment

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.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

(ii) Available-for-sale financial assets

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

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.

3 Significant accounting policies, continued

(i) Credit related commitments, continued

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.

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

(a) 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 2014, 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*, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Bank has not analysed the impact of these changes yet. The Bank does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- 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 2015. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2014 KZT'000	2013 KZT'000
Interest income		
Loans to customers	6,742,564	4,434,608
Loans and advances to banks and other financial institutions	419,669	125,725
Available-for-sale financial assets	148,015	319,414
Cash and cash equivalents	133,293	7,537
	7,443,541	**4,887,284**
Interest expense		
Current accounts and deposits from customers	(2,214,811)	(1,259,203)
Deposits and balances from banks and other financial institutions	(1,063,786)	(119,689)
Amounts payable under repurchase agreements	(8,348)	(3,137)
	(3,286,945)	**(1,382,029)**
	4,156,596	**3,505,255**

Included within various line items under interest income for the year ended 31 December 2014 is a total of KZT 1,028,797 thousand (2013: KZT 1,870,278 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2014 KZT'000	2013 KZT'000
Guarantee and letter of credit issuance	194,582	167,121
Settlement	150,275	50,202
Foreign exchange	90,249	53,773
Cash transactions	48,934	29,282
Loan origination fee	17,601	4,620
Other	29,784	11,140
	531,425	**316,138**

6 Fee and commission expense

	2014 KZT'000	2013 KZT'000
Payment transfers	30,598	11,125
Credit transactions	11,469	11,116
Brokerage services	7,411	2,660
Other	4,907	3,723
	54,385	**28,624**

7 Other operating income, net

	2014 KZT'000	2013 KZT'000
Other operating income		
Fines and penalties	451,960	73,400
Net gain from sales of fixed assets	-	7,369
Other	15,247	2,067
	467,207	**82,836**
Other operating expense		
Net loss from sales of fixed assets	(67,357)	-
Subscriptions and information services	(49,505)	(9,187)
Inventory write-offs	(34,417)	(3,299)
Rating agencies sevices	(14,933)	-
Legal executives services	(13,448)	-
Other	(93,182)	(28,549)
	(272,842)	**(41,035)**
	194,365	**41,801**

8 Impairment losses

	2014 KZT'000	2013 KZT'000
Loans to customers	1,016,942	488,354
Other assets	103,170	412,379
Loans and advances to banks and other financial institutions	(1,015)	22,009
	1,119,097	**922,742**

9 Personnel expenses

	2014 KZT'000	2013 KZT'000
Employee compensation	1,331,229	1,122,441
Payroll related taxes	98,792	113,852
	1,430,021	**1,236,293**

10 Other general administrative expenses

	2014 KZT'000	2013 KZT'000
Operating lease expense	271,486	159,595
Depreciation and amortisation	129,744	103,182
Advertising and marketing	87,386	19,281
Repairs and maintenance	85,660	64,693
Taxes other than on income	81,689	49,365
Insurance	81,447	136,405
Professional services	51,644	24,051
Utilities and cleaning services	49,464	22,332
Security	39,429	49,276
Communications and information services	37,914	32,002
Travel expenses	33,687	49,905
Transportation	28,842	23,600
Encashment services	11,683	2,674
Trainings	6,105	2,864
Representation	3,855	3,945
Fines and penalties	-	289
Other	25,114	34,825
	1,025,149	**778,284**

11 Income tax (expense)/benefit

	2014 KZT'000	2013 KZT'000
Current year tax expense	(33,000)	-
Deferred taxation movement due to origination and reversal of temporary differences	(31,661)	4,538
Total income tax (expense)/benefit	**(64,661)**	**4,538**

In 2014 the applicable tax rate for current and deferred tax is 20% (2013: 20%).

Reconciliation of effective tax rate:

	2014 KZT'000	%	2013 KZT'000	%
Profit before income tax	**1,456,639**	**100**	**962,978**	**100**
Income tax at the applicable tax rate	(291,328)	(20)	(192,596)	(20)
Non-taxable income	226,667	16	93,603	10
Change in unrecognised deferred tax assets	-	-	103,531	11
	(64,661)	**(4)**	**4,538**	**-**

11 Income tax (expense)/benefit, 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 2014 and 2013. 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.

Movements in temporary differences during the years ended 31 December 2014 and 2013 are presented as follows.

2014 **KZT'000**	**Balance 1 January 2014**	**Recognised in profit or loss**	**Balance 31 December 2014**
Property, equipment and intangible assets	(2,572)	(26,425)	(28,997)
Loans to customers	17,854	(8,312)	9,542
Other assets	1,311	(945)	366
Interest payable on deposits and balances from banks and other financial institutions	6,365	26,976	33,341
Interest payable on current accounts and deposits from customers	19,947	(20,176)	(229)
Vacation reserve	7,093	(2,779)	4,314
	49,998	**(31,661)**	**18,337**

2013 **KZT'000**	**Balance 1 January 2013**	**Recognised in profit or loss**	**Balance 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**

Unrecognised deferred tax asset

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

12 Cash and cash equivalents

	2014 KZT'000	2013 KZT'000
Cash on hand	**2,334,151**	**524,835**
Nostro accounts with the NBRK	**27,261,758**	**25,556,422**
Nostro accounts with other banks		
- rated A- to A+	205,896	-
- rated from BB- to BB+	838,999	62,842
- rated from B- to B+	625,773	420,851
- not rated	1,864	1,407
Total nostro accounts with other banks	**1,672,532**	**485,100**
Cash equivalents		
- Term deposits with other banks		
- rated A- to A+	2,834,167	-
Total term deposits with other banks	**2,834,167**	**-**
Total cash equivalents	**31,768,457**	**26,041,522**
Total cash and cash equivalents	**34,102,608**	**26,566,357**

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 2014 the Bank has two banks (31 December 2013: one bank), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2014 is KZT 30,095,925 thousand (2013: KZT 25,556,422 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 2014 the minimum reserve is KZT 1,981,778 thousand (31 December 2013: KZT 1,458,456 thousand).

13 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.

14 Loans and advances to banks and other financial institutions

	2014 KZT'000	2013 KZT'000
Deposits in banks		
- rated A- to A+	1,543,750	-
- rated below B+	2,588,180	-
	4,131,930	-
Loans to other financial institutions		
- not rated	740,449	908,396
Gross loans to other financial institutions	**740,449**	**908,396**
Impairment allowance	(20,994)	(22,009)
Net loans to other financial institutions	**719,455**	**886,387**
Reverse repurchase agreements	2,625,961	8,677,083
	7,477,346	**9,563,470**

In December 2014 the Bank concluded reverse repurchase agreements at Kazakhstan Stock Exchange auto-repo market in the amount of KZT 2,625,961 thousand (2013: KZT 8,677,083 thousand).

Movement in the loan impairment allowance of loans and advances to banks and other financial institutions for the year ended 31 December 2014 is as follows:

	2014 KZT'000	2013 KZT'000
Balance at the beginning of the year	22,009	-
Net (recovery)/charge	(1,015)	22,009
Balance at the end of the year	**20,994**	**22,009**

(a) Collateral accepted as security

As at 31 December 2014 treasury bills of the Ministry of Finance of the Republic of Kazakhstan with fair value of KZT 2,857,937 thousand were accepted as collateral for reverse repurchase agreements (2013: KZT 9,179,839 thousand).

15 Loans to customers

	2014 KZT'000	2013 KZT'000
Loans to corporate customers		
Loans to large corporates	18,645,592	16,103,674
Loans to small and medium size companies	40,093,059	20,433,115
Total loans to corporate customers	**58,738,651**	**36,536,789**
Loans to retail customers		
Mortgage loans	1,608,598	1,205,186
Consumer loans	23,643,832	538,772
Auto loans	5,833	1,939
Other	1,375,115	336,575
Total loans to retail customers	**26,633,378**	**2,082,472**
Gross loans to customers	**85,372,029**	**38,619,261**
Impairment allowance	(4,167,766)	(4,958,520)
Net loans to customers	**81,204,263**	**33,660,741**

15 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2014 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	4,898,416	60,104	4,958,520
Net charge	986,822	30,120	1,016,942
Write-offs	(1,815,359)	-	(1,815,359)
Effect of foreign currency translation	7,663	-	7,663
Balance at the end of the year	**4,077,542**	**90,224**	**4,167,766**

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**

15 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2014:

	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	14,233,273	(58,744)	14,174,529	0.41
Impaired loans:				
- not past due	1,773,952	(1,098,150)	675,802	61.90
- overdue 90-179 days	8,904	(7,864)	1,040	88.32
- overdue 180-360 days	1,628,343	(200,888)	1,427,455	12.34
- overdue more than 360 days	1,001,120	(409,513)	591,607	40.91
Total impaired loans	4,412,319	(1,716,415)	2,695,904	38.90
Total loans to large corporates	**18,645,592**	**(1,775,159)**	**16,870,433**	**9.52**
Loans to small and medium size companies				
Loans without individual signs of impairment	33,735,209	(104,108)	33,631,101	0.31
Impaired loans:				
- not past due	3,821,495	(1,412,474)	2,409,021	36.96
- overdue less than 30 days	227,778	-	227,778	-
- overdue 30-89 days	340,252	-	340,252	-
- overdue 90-179 days	198,359	(29,100)	169,259	14.67
- overdue 180-360 days	523,031	(383,643)	139,388	73.35
- overdue more than 360 days	1,246,935	(373,058)	873,877	29.92
Total impaired loans	6,357,850	(2,198,275)	4,159,575	34.58
Total loans to small and medium size companies	**40,093,059**	**(2,302,383)**	**37,790,676**	**5.74**
Total loans to corporate customers	**58,738,651**	**(4,077,542)**	**54,661,109**	**6.94**

15 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not past due	1,428,108	(4,702)	1,423,406	0.33
- overdue less than 30 days	68,192	(485)	67,707	0.71
- overdue 30-89 days	2,469	-	2,469	-
- overdue 90-179 days	22,975	(1,247)	21,728	5.43
- overdue 180-360 days	44,540	(7,016)	37,524	15.75
- overdue more than 360 days	42,314	(7,241)	35,073	17.11
Total mortgage loans	**1,608,598**	**(20,691)**	**1,587,907**	**1.29**
Consumer loans				
- not past due	23,201,254	-	23,201,254	-
- overdue less than 30 days	180,296	(7,695)	172,601	4.27
- overdue 30-89 days	47,350	(8,990)	38,360	18.99
- overdue 90-179 days	31,906	(16,417)	15,489	51.45
- overdue 180-360 days	30,293	(12,107)	18,186	39.97
- overdue more than 360 days	152,733	(19,985)	132,748	13.08
Total consumer loans	**23,643,832**	**(65,194)**	**23,578,638**	**0.28**
Auto loans				
- not past due	5,833	-	5,833	-
Total auto loans	**5,833**	**-**	**5,833**	**-**
Other loans to retail customers				
- not past due	1,259,161	-	1,259,161	-
- overdue less than 30 days	12,283	(169)	12,114	1.38
- overdue 30-89 days	55,881	-	55,881	-
- overdue 90-179 days	3,225	-	3,225	-
- overdue 180-360 days	8,597	-	8,597	-
- overdue more than 360 days	35,968	(4,170)	31,798	11.59
Total other loans to retail customers	**1,375,115**	**(4,339)**	**1,370,776**	**0.32**
Total loans to retail customers	**26,633,378**	**(90,224)**	**26,543,154**	**0.34**
Total loans to customers	**85,372,029**	**(4,167,766)**	**81,204,263**	**4.88**

15 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 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	-	106,183	-
- 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	(1,690,290)	2,082,779	44.80
Total loans to large corporates	**16,103,674**	**(1,949,691)**	**14,153,983**	**12.11**
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**

15 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not past due	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**

During the year ended 31 December 2014 the Bank issued consumer and other loans to individuals, which are collateralised by pledges of cash deposits. The amount of these loans as at 31 December 2014 is KZT 19,420,288 thousand and KZT 629,675, respectively. These loans have maturity from 6 months to 2 years.

As at 31 December 2014 and 31 December 2014 included in the loan portfolio are renegotiated loans to corporate and retail customers that would otherwise be past due. 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.

15 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 0.31%-0.41% (2013: 1.64%-2.10%)
- 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 2014 would be KZT 546,611 thousand lower/higher (2013: KZT 316,384 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 2014 would be KZT 265,432 thousand lower/higher (2013: KZT 20,224 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.

15 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2014 and 2013:

	2014 KZT'000	% of loan portfolio	2013 KZT'000	% of loan portfolio
Mixed	14,938,539	27.32	10,301,195	32.54
Land and rights of temporary land use	9,319,810	17.05	2,121,395	6.71
Money coming in the future	8,663,472	15.85	729,761	2.31
Real estate	6,520,581	11.93	1,805,392	5.71
Equipment	3,721,381	6.81	1,853,384	5.86
No collateral	2,339,078	4.28	821,271	2.60
Guarantee	2,286,802	4.18	783,515	2.48
Securities	2,108,504	3.86	1,396,784	4.41
Grain	1,693,502	3.10	5,940,121	18.78
Goods in turnover	747,753	1.37	862,102	2.72
Cash deposit	98,764	0.18	2,160,755	6.83
Other collateral	2,222,923	4.07	2,862,698	9.05
	54,661,109	**100.00**	**31,638,373**	**100.00**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral. Mixed types of collateral include real estate, property complexes, equipment, vehicles, land, grain, guarantees, cash deposits and other. Loans with mixed type of collateral include cash deposits as collateral at the amount of KZT 47,217 thousand (2013: KZT 152,602 thousand).

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 6,855,479 thousand (2013: KZT 13,363,367 thousand), excluding the effect of overcollateralisation.

Loans to corporate customers without individual signs of impairment

As at 31 December 2014 the fair value of cash balances, serving as collateral for loans to corporate customers, is KZT 98,764 thousand (2013: KZT 2,160,755 thousand).

For remaining loans to corporate customers with a net carrying amount of KZT 47,706,866 thousand (2013: KZT 16,114,251 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 2014, for loans to corporate customers with a carrying amount of KZT 7,243,898 thousand (2013: KZT 3,777,727 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 2014, the Bank obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 276,891 thousand (31 December 2013: KZT 287,396 thousand).

15 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers

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

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 983,548 thousand (2013: KZT 471,853 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 673,266 thousand (2013: KZT 334,057 thousand).

For mortgage loans with a net carrying amount of KZT 604,359 thousand (2013: KZT 706,273 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 22,082,784 thousand (2013: KZT 215,209 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 19,640,907 thousand (2013: KZT 46,273 thousand), out of which 18,118,842 thousand are highly liquid deposits.

For consumer loans with a net carrying amount of KZT 1,495,854 thousand (2013: KZT 306,015 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.

Other loans

Included in other loans are loans with a net carrying amount of KZT 1,128,587 thousand (2013: KZT 318,041 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 788,503 thousand (2013: KZT 53,898 thousand).

For other loans with a net carrying amount of KZT 242,189 thousand (2013: KZT 3,038 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.

15 Loans to customers, continued

(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:

	2014 KZT'000	2013 KZT'000
Loans to retail customers	26,633,378	2,082,472
Trade	15,944,657	8,803,744
Construction	11,939,361	4,008,804
Agriculture, forestry and timber	11,218,436	13,335,540
Services	8,069,790	3,418,919
Mining/metallurgy	3,921,580	4,514,336
Real estate	1,016,442	477,352
Manufacturing	802,855	639,999
Other	5,825,530	1,338,095
	85,372,029	**38,619,261**
Impairment allowance	(4,167,766)	(4,958,520)
	81,204,263	**33,660,741**

(e) Significant credit exposures

As at 31 December 2014 the Bank has twelve borrowers (2013: ten borrowers), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2014 is KZT 32,143,436 thousand (2013: KZT 13,461,739 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 22 (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.

16 Property, equipment and intangible assets

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	CIP	Leasehold improvements	Intangible assets	Total
Revalued amount/cost								
Balance at 1 January 2014	240,039	160,461	133,168	126,114	-	101	271,756	931,639
Additions	573,034	139,225	42,946	71,175	36,702	231,376	128,847	1,223,305
Revaluation	376,827	-	-	-	-	-	-	376,827
Disposals	(239,644)	(13,084)	(36,542)	(3,198)	-	(102)	(51)	(292,621)
Transfers	20,145	-	-	733	(733)	(20,145)	-	-
Balance at 31 December 2014	**970,401**	**286,602**	**139,572**	**194,824**	**35,969**	**211,230**	**400,552**	**2,239,150**
Depreciation and amortisation								
Balance at 1 January 2014	14,621	107,952	20,021	94,092	-	80	149,642	386,408
Depreciation and amortisation for the year	4,848	27,967	17,222	20,072	-	721	58,914	129,744
Disposals	(15,097)	(11,556)	(10,671)	(3,053)	-	(84)	(51)	(40,512)
Balance at 31 December 2014	**4,372**	**124,363**	**26,572**	**111,111**	**-**	**717**	**208,505**	**475,640**
Carrying amount								
At 31 December 2014	**966,029**	**162,239**	**113,000**	**83,713**	**35,969**	**210,513**	**192,047**	**1,763,510**

16 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Leasehold improvements	Intangible assets	Total
Cost							
Balance at 1 January 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**
Depreciation and amortisation							
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**
Carrying amounts							
At 31 December 2013	**225,418**	**52,509**	**113,147**	**32,022**	**21**	**122,114**	**545,231**
At 1 January 2013	**228,063**	**64,751**	**64,867**	**39,310**	**35**	**51,386**	**448,412**

During 2014, the Bank has purchased a building located in Almaty, Shevchenko Street, 80 for KZT 491,994 thousand. As at 28 July 2014 the building was revalued up to KZT 843,631 based on the results of an independent appraisal performed by "Independent Appraisal" LLC. The carrying value of buildings as at 31 December 2014, if the buildings would not have been revalued, would be KZT 589,203 thousand.

The basis used for the appraisal is the market approach. The market approach is based on an analysis of the results of comparable sales of similar buildings. The average price per square meter of the similar buildings was KZT 572 thousand.

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during 2014 (2013: nil).

17 Other assets

	2014 KZT'000	2013 KZT'000
Other accounts receivable	130,990	2,338,610
Accrued commission income	2,055	24,147
Total other financial assets	**133,045**	**2,362,757**
Debtors under guarantees	671,645	413,592
Foreclosed assets	593,181	603,686
Prepayments	338,699	98,205
Prepaid taxes other than on income	316,849	13,821
Capital expenditure	132,266	97,284
Materials and supplies	28,943	20,421
Other	137,992	40,528
Impairment allowance	(185,128)	(497,345)
Total other non-financial assets	**2,034,447**	**790,192**
Total other assets	**2,167,492**	**3,152,949**

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 2014 and 2013 are as follows:

	2014 KZT'000	2013 KZT'000
Balance at the beginning of the year	497,345	7,766
Net charge	103,170	412,379
(Write-off)/recovery of previously written-off other assets	(415,387)	77,200
Balance at the end of the year	**185,128**	**497,345**

As at 31 December 2014, included in other assets are overdue receivables from third parties in the amount of KZT 7,717 thousand (2013: KZT 413,592 thousand) and KZT 105,301 thousand (2013: KZT 84,634 thousand), which are overdue for more than 90 days but less than one year and overdue for more than one year, respectively.

18 Deposits and balances from banks and other financial institutions

	2014 KZT'000	2013 KZT'000
Loans	9,888,754	8,183,590
Term deposits	3,955,694	765,550
	13,844,448	**8,949,140**

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 706,154 thousand (2013: KZT 1,176,923 thousand), the National Management Holding "Kaz-Agro" JSC under the agro-industrial financing program with a total balance of KZT 8,982,500 thousand (2013: KZT 7,006,667 thousand) and a commercial bank with a total balance of KZT 200,100 thousand (2013: nil).

19 Current accounts and deposits from customers

	2014 KZT'000	2013 KZT'000
Current accounts and demand deposits		
- Retail	194,190	-
- Corporate	59,935,209	51,493,605
Term deposits		
- Retail	6,566,703	-
- Corporate	28,277,368	6,918,440
	94,973,470	**58,412,045**

As at 31 December 2014, included in current accounts and demand deposits of corporate customers are current accounts of the Bank's shareholder, Astana Finance JSC, of KZT 30,079,370 thousand (2013: KZT 30,282,942 thousand). As at 31 December 2014, the Bank has ten customers (2013: seven customers), whose balances exceed 10% of equity. These balances as at 31 December 2014 amount to KZT 69,152,249 thousand (2013: KZT 50,859,003 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. 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, and resumed its deposit taking and customer accounts maintenance operations with individuals.

As at 31 December 2014, the Bank maintained customer deposit balances of KZT 1,588,493 thousand (2013: KZT 788,477 thousand) that serve as collateral for loans and off-balance credit instruments granted by the Bank.

20 Other liabilities

	2014 KZT'000	2013 KZT'000
Letters of credit and guarantees issued	552,597	403
Accrued operating expenses	91,518	19,006
Payables to employees	54	54
Total other financial liabilities	**644,169**	**19,463**
Vacation reserve	61,812	35,467
Prepayments on banking operations	10,413	44,142
Other taxes payable	158,281	33,542
Other non-financial liabilities	152,294	2,057
Total other non-financial liabilities	**382,800**	**115,208**
Total other liabilities	**1,026,969**	**134,671**

21 Share capital

(a) Issued capital

As at 31 December 2014, the authorised share capital comprised 32,000,000 shares (2013: 32,000,000 ordinary shares) and authorised, issued and fully paid share capital comprised 7,800,466 ordinary shares (2013: 7,700,466 ordinary shares). The shares do not have a par value. During the year, ended 31 December 2014 100,000 ordinary shares were issued at KZT 35,000 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.

21 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 "Astana Finance" JSC 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. On 25 December 2014 Mr. Tokhtarov O.T. signed an agreement to additionally purchase 100,000 shares of the Bank at KZT 35,000 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.

(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 1,391,978 thousand (2013: KZT 967,516 thousand).

As at 31 December 2014 and 2013 no dividends were declared.

22 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.

22 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 2014							
ASSETS							
Cash and cash equivalents	2,834,167	-	-	-	-	31,268,441	34,102,608
Available-for-sale financial assets	-	-	-	705,839	-	-	705,839
Loans and advances to banks and other financial institutions	6,927,373	154,022	250,362	145,589	-	-	7,477,346
Loans to customers	40,013,432	12,043,132	8,760,307	16,077,279	4,310,113	-	81,204,263
	49,774,972	**12,197,154**	**9,010,669**	**16,928,707**	**4,310,113**	**31,268,441**	**123,490,056**
LIABILITIES							
Deposits and balances from banks and other financial institutions	1,402,944	2,735,250	1,300,100	4,006,154	4,400,000	-	13,844,448
Current accounts and deposits from customers	6,550,583	1,506,917	14,489,059	12,273,638	23,874	60,129,399	94,973,470
	7,953,527	**4,242,167**	**15,789,159**	**16,279,792**	**4,423,874**	**60,129,399**	**108,817,918**
	41,821,445	**7,954,987**	**(6,778,490)**	**648,915**	**(113,761)**	**(28,860,958)**	**14,672,138**
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)**

22 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 2014 and 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2014 Average effective interest rate, %		2013 Average effective interest rate, %	
	KZT	**USD**	**KZT**	**USD**
Interest bearing assets				
Cash and cash equivalents	50.00	-	-	-
Available-for-sale financial assets	5.43	-	5.19	-
Loans and advances to banks and other financial institutions				
- Loans	14.56	-	14.56	-
- Term deposits	50.00	5.00	-	-
- Reverse repurchase agreements	29.90	-	4.25	-
Loans to customers	13.76	7.68	12.56	10.22
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- Loans	9.84	-	9.72	-
- Term deposits	10.00	1.00	5.91	-
Current accounts and deposits from customers				
- Term deposits	13.56	7.58	7.66	3.50

(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 2014 and 2013 is as follows:

	2014 KZT'000	2013 KZT'000
100 bp parallel fall	(311,323)	(130,792)
100 bp parallel rise	311,323	130,792

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 2014 and 2013 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2014		2013	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	-	21,479	-	423,727
100 bp parallel rise	-	(20,597)	-	(385,038)

22 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 2014:

	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	26,023,372	207,667	114,592	26,345,631
Loans and advances to banks and other financial institutions	2,588,180	-	-	2,588,180
Loans to customers	33,149,872	-	-	33,149,872
Total assets	**61,761,424**	**207,667**	**114,592**	**62,083,683**
LIABILITIES				
Deposits and balances from banks and other financial institutions	2,736,694	-	-	2,736,694
Current accounts and deposits from customers	60,847,107	256,686	96,193	61,199,986
Other financial liabilities	30,331	-	-	30,331
Total liabilities	**63,614,132**	**256,686**	**96,193**	**63,967,011**
Net position as at 31 December 2014	**(1,852,708)**	**(49,019)**	**18,399**	**(1,883,328)**

The following table shows the currency structure of financial assets and liabilities as at 31 December 2013:

	USD KZT'000	EUR KZT'000	Other currenc ies 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**

22 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 2014 and 2013 and a simplified scenario of a 10% change in USD and Euro to Kazakhstan Tenge exchange rates is as follows.

	2014 KZT'000	2013 KZT'000
20% appreciation of USD against KZT	(296,433)	182,721
5% depreciation of USD against KZT	74,108	(45,680)
20% appreciation of EUR against KZT	(7,843)	3,045
5% depreciation of EUR against KZT	1,961	(761)

(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.

22 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:

	2014 KZT'000	2013 KZT'000
ASSETS		
Cash equivalents	31,768,457	26,041,522
Available-for-sale financial assets	705,839	6,067,544
Loans and advances to banks and other financial institutions	7,477,346	9,563,470
Loans to customers	81,204,263	33,660,741
Other financial assets	133,045	2,362,757
Total maximum exposure	**121,288,950**	**77,696,034**

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 15.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 24.

As at 31 December 2014 the Bank has one counterparty (2013: two counterparties), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for this counterparty as at 31 December 2014 is KZT 27,261,758 thousand (2013: KZT 34,233,505 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 evebir 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.

22 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 transitions upon the counterparty's failure to post collateral.

22 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 2014:

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: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net Amount
Reverse repurchase agreements	2,625,961	-	2,625,961	(2,625,961)	-	-
Loans to customers	81,204,263	-	81,204,263	-	(88,933)	81,115,330
Total financial assets	**83,830,224**	**-**	**83,830,224**	**(2,625,961)**	**(88,933)**	**81,115,330**
Current accounts and deposits from customers	(88,933)	-	(88,933)	88,933	-	-
Total financial liabilities	**(88,933)**	**-**	**(88,933)**	**88,933**	**-**	**-**

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: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
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 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.

22 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2014 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	1,421,085	3,014,017	409,658	2,010,237	11,337,201	18,192,198	13,844,448
Current accounts and deposits from customers	66,676,932	5,143	1,555,935	15,342,804	13,543,184	97,123,998	94,973,470
Other financial liabilities	635,669	-	8,500	-	-	644,169	644,169
Total liabilities	**68,733,686**	**3,019,160**	**1,974,093**	**17,353,041**	**24,880,385**	**115,960,365**	**109,462,087**
Credit related commitments	**24,577,275**	-	-	-	-	**24,577,275**	**24,577,275**

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**

22 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:

	2014 KZT'000	**2013 KZT'000**
Demand and less than 1 month	6,545,518	365,007
From 1 to 3 months	5,065	182,002
From 3 to 12 months	15,995,976	6,121,615
From 1 to 5 years	12,273,638	249,816
More than 5 years	23,874	-
	34,844,071	**6,918,440**

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.

22 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 2014:

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	34,102,608	-	-	-	-	-	-	34,102,608
Available-for-sale financial assets	-	-	-	705,839	-	-	-	705,839
Loans and advances to banks and other financial institutions	5,710,662	1,216,711	404,384	-	145,589	-	-	7,477,346
Loans to customers	20,938,641	16,254,155	20,803,439	16,077,279	4,310,113	-	2,820,636	81,204,263
Property, equipment and intangible assets	-	-	-	-	-	1,763,510	-	1,763,510
Deferred tax asset	-	-	-	18,337	-	-	-	18,337
Other assets	893,772	1,609	649,987	-	-	622,124	-	2,167,492
Total assets	**61,645,683**	**17,472,475**	**21,857,810**	**16,801,455**	**4,455,702**	**2,385,634**	**2,820,636**	**127,439,395**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	1,416,890	2,966,020	1,530,769	4,630,769	3,300,000	-	-	13,844,448
Current accounts and deposits from customers	66,674,917	5,065	15,995,976	12,273,638	23,874	-	-	94,973,470
Other liabilities	644,138	162,711	220,120	-	-	-	-	1,026,969
Total liabilities	**68,735,945**	**3,133,796**	**17,746,865**	**16,904,407**	**3,323,874**	-	-	**109,844,887**
Net position	**(7,090,262)**	**14,338,679**	**4,110,945**	**(102,952)**	**1,131,828**	**2,385,634**	**2,820,636**	**17,594,508**

22 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**

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

23 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 2014 and 2013 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:

	2014 KZT'000 (Unaudited)	2013 KZT'000 (Unaudited)
Tier 1 capital		
Share capital	16,285,466	12,785,466
Statutory additional paid-in capital	(14,083)	(14,083)
General reserve	957,976	957,976
Statutory intangible assets	(10,688)	(7)
Statutory retained earnings – prior year	(1,466,338)	(2,245,806)
Total tier 1 capital	**15,752,333**	**11,483,546**
Tier 2 capital		
Statutory retained earnings – current year	1,428,205	779,468
Revaluation reserve for available-for-sale financial assets	8,118	(207,151)
Revaluation reserve for property and equipment	376,827	-
Total tier 2 capital	**1,813,150**	**572,317**
Total capital	**17,565,483**	**12,055,863**
Risk-weighted assets		
Banking book	94,528,855	46,766,591
Total risk weighted assets	**94,528,855**	**46,766,591**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**18.58%**	**25.78%**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**16.66%**	**24.56%**

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.

23 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 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 21). 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.

24 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 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.

	2014 KZT'000	2013 KZT'000
Contracted amount		
Loan and credit line commitments	24,577,275	11,147,941
Guarantees	7,164,905	2,367,839
	31,742,180	**13,515,780**

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 2014 the Bank had five counterparties (31 December 2013: two), whose guarantee or loan commitments exceeded 10% of total equity. The gross value of these commitments as at 31 December 2014 is KZT 12,301,034 thousand (2013: KZT 3,100,000 thousand).

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

25 Operating leases

As at 31 December 2014 and 2013 the Bank did not have significant non-cancellable operating lease rentals payable.

During the year of 2014 KZT 271,486 thousand was recognised as an expense in profit or loss in respect of operating leases (2013: KZT 159,595 thousand).

26 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.

27 Related party transactions

(a) Control relationships

As at 31 December 2014 the Bank is controlled by two individuals, who jointly own 49.75% of shares of the Bank (see Note 1) (2013: 49.10%).

27 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 2014 and 2013 is as follows:

	2014 KZT'000	2013 KZT'000
Short term employee benefits	147,130	163,977
Post employmente benefits	3,655	12,883
	150,785	**176,860**

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 2014 and 2013 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2014 KZT'000	Average interest rate	2013 KZT'000	Average interest rate
Statement of financial position				
Loans to customers	-	-	3,324	12.0%
Current accounts and deposits from customers	107,969	3.5%	-	-

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:

	2014 KZT'000	2013 KZT'000
Profit or loss		
Interest income	343	264
Interest expense	586	-

27 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows.

	Shareholders		Other entities under control of shareholders		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position					
ASSETS					
Cash and cash equivalents					
- in KZT	-	-	4,115	-	4,115
- in USD	-	-	612,418	-	612,418
- in EUR	-	-	858	-	858
- in RUB	-	-	449	-	449
Other assets	-	-	85,947	-	85,947
LIABILITIES					
Deposits and balances from banks and other financial institutions					
- Term deposits					
- in USD	-	-	2,736,694	1.0%	2,736,694
Current accounts and deposits from customers					
- Term deposits					
- in KZT	1,965	10.0%	81,552	9.1%	83,517
- in USD	165,885	4.0%	420,039	5.2%	585,924
- Current accounts and demand deposits					
- in KZT	614,685	-	1,798,522	-	2,413,207
- in USD	29,474,208	-	4,623,701	-	34,097,909
- in GBP	565	-	-	-	565
Profit or loss					
Interest expense	(968)	-	(7,984)	-	(8,952)

27 Related party transactions, continued

(c) Transactions with other related parties, continued

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.

	Shareholders		Other entities under control of shareholders		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position					
ASSETS					
Cash and cash equivalents					
- in USD	-	-	1,196	-	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)

28 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 2014:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	34,102,608	-	-	34,102,608	34,102,608
Available-for-sale financial assets	-	705,839	-	705,839	705,839
Loans and advances to banks and other financial institutions	7,477,346	-	-	7,477,346	7,477,346
Loans customers					
Loans to corporate customers	54,661,109	-	-	54,661,109	54,984,202
Loans to retail customers	26,543,154	-	-	26,543,154	26,646,677
Other financial assets	133,045	-	-	133,045	133,045
	122,917,262	**705,839**	-	**123,623,101**	**124,049,717**
Deposits and balances from banks and other financial institutions	-	-	13,844,448	13,844,448	13,844,448
Current accounts and deposits from customers	-	-	94,973,470	94,973,470	92,924,922
Other financial liabilities	-	-	644,169	644,169	644,169
	-	-	**109,462,087**	**109,462,087**	**107,413,539**

28 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 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**

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.

28 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 2014 and 2013 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 2014:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and cash equivalents	-	34,102,608	-	34,102,608	34,102,608
Available-for-sale financial assets	-	705,839	-	705,839	705,839
Loans and advances to banks and other financial institutions	-	7,477,346	-	7,477,346	7,477,346
Loans to customers	-	74,470,483	7,160,396	81,630,879	81,204,263
Other financial assets	-	133,045	-	133,045	133,045
	-	**116,889,321**	**7,160,396**	**124,049,717**	**123,623,101**
Deposits and balances from banks and other financial institutions	-	13,844,448	-	13,844,448	13,844,448
Current accounts and deposits from customers	-	92,924,922	-	92,924,922	94,973,470
Other financial liabilities	-	644,169	-	644,169	644,169
	-	**107,413,539**	**-**	**107,413,539**	**109,462,087**

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

(c) Fair value hierarchy, continued

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**

29 Subsequent events

On 10 March 2015 the Bank was re-registered as "Bank of Astana" JSC.