RBK Bank JSC

Independent Auditor's Report and Financial Statements for the Year Ended 31 December 2014

Contents

BDO
ДЛЯ АУДИТОРСКИХ ОТЧЁТОВ

Statement of the Management's Responsibility for the Preparation and Approval of the Financial Statements for the year ended 31 December 2014

The Management presents the financial statements of RBK Bank JSC (hereinafter – "the Bank") for the year ended 31 December 2014.

Responsibility of the Bank's Management

The Management of the Bank is responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRS and interpretations) issued by International Accounting Standards Board (IASB) and IFRIC.

The Management of the Bank prepares the financial statements for the year ended 31 December 2014 that fairly present in all material respects the financial position of the Bank as well as income and losses for the period then ended.

In preparation of the financial statements the Management is responsible for:

- selecting appropriate accounting principles and applying them consistently;
- making prudent and reasonable accounting estimates and judgments;
- preparation of the financial statements, based on the assumption that the Bank will operate in the foreseeable future, unless such assumption is inappropriate.

The Management of the Bank is also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. It is also responsible for safeguarding the Bank's assets and therefore for detecting and preventing fraud and other irregularities.

The Bank Management is responsible for implementing and maintaining an internal control system and its continuous monitoring.

These financial statements were authorised for issue on 24 April 2015 and signed by the Board.

M. Zhakubayeva
Acting Chairman of the Board

A. Dauletbekova
Chief Accountant

BDO Kazakhstanaudit LLP
Building 56 "A"
micro-region 6
Almaty city, 050036
Republic of Kazakhstan

Tel.: +7(727) 397-12-48
397-12-63, 397-12-31
397-12-54, 397-12-47
Fax: +7(727)397-12-04
audit@bdo.kz
www.bdo.kz

BDO ДЛЯ АУДИТОРСКИХ ОТЧЁТОВ BDO

INDEPENDENT AUDITOR'S REPORT

To shareholders and Board of Directors of RBK Bank JSC

We have audited the accompanying financial statements of RBK Bank JSC (hereinafter "the Bank") as at 31 December 2014, which comprise the statement of financial position as at 31 December 2014, as well as statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

The Bank management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as the Bank management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or errors.

Auditor's Responsibility

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

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 misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

Basis for Qualified Opinion

As stated in Note 10 *Property, Plant and Equipment and Intangible Assets*, during the reporting period the Bank acquired buildings with land plats for the amount of KZT 6,223,180 thousand, the market value whereof was determined on revaluation to be KZT 28,862,042 thousand. A significant increase in the value of PP&E acquired may indicate that these items of PP&E were acquired on non-market terms, which is typical for related party transactions.

Opinion

In our opinion, except for the effect of circumstances disclosed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Koshkimbayev A.E.
Certified Auditor of the Republic of Kazakhstan
Auditor Qualification Certificate No. 0000218 issued by the Republic of Kazakhstan Auditor Certification Commission on 18.12.1995

BDO Kazakhstanaudit LLP

General State Audit License No.0000276 issued on 24 June 2004 by Ministry of Finance of the Republic of Kazakhstan (Initial license No. 0000001 of Kazakhstanaudit Audit Company was re-issued due to change of the name to BDO Kazakhstanaudit LLP)

Koshkimbayev S.Kh.
Managing Partner
General Director
BDO Kazakhstanaudit LLP

24 April 2015

(in KZT thousands)	Notes	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	6	61 996 186	29 973 311
Due from other banks	7	14 351 400	470 298
Loans and advances to customers	8	365 072 171	143 246 719
Financial assets available for sale	9	43 823 652	46 110 289
Property, plant and equipment and intangible assets	10	31 699 403	2 269 292
Other assets	11	1 619 833	703 570
Total assets		**518 562 645**	**222 773 479**
Liabilities			
Customer accounts	12	370 199 154	193 921 414
Bank accounts		12 078 454	40
Loans from other banks and organizations		14 021 848	-
Issued debt securities	14	52 162 016	7 055 362
Subordinated debt	14	8 119 451	5 036 377
Deferred tax liability		4 705 920	92 714
Other liabilities	13	985 165	316 599
Total liabilities		**462 272 008**	**206 422 506**
Equity			
Share capital	15	34 500 000	14 500 000
Other reserves/funds		17 975 800	257 281
Retained earnings		3 814 837	1 593 692
Total equity		**56 290 637**	**16 350 973**
Total liabilities and equity		**518 562 645**	**222 773 479**
Book value per ordinary share (KZT)	16	17 181	11 584
Book value per preference share (KZT)	16	10 000	10 000

Approved and signed on behalf of the Board on 24 April 2015.

M. Zhakubayeva
Acting Chairman of the Board

A. Dauletbekova
Chief Accountant

(in KZT thousands)	Notes	2014	2013
Interest income	17	33 145 741	15 725 509
Interes expense	17	(18 449 722)	(7 554 834)
Net interest income		**14 696 019**	**8 170 675**
Creation of provision for loan impairment		(6 479 594)	(3 624 073)
Net interest income after provision for loan impairment		**8 216 425**	**4 546 602**
Fee and commission income	18	2 353 535	1 461 035
Fee and commission expense	18	(169 946)	(80 149)
Net (loss)/income from transactions with other financial instruments at fair value through profit or loss		(527 506)	-
Gains less losses from trading in foreign currencies	19	876 836	444 005
Net (loss)/income from transactions with financial assets available for sale	20	19 533	76 577
Other operating income		284 885	188 517
Operating income		**11 053 762**	**6 636 587**
Administrative and other operating expenses	21	(8 032 403)	(4 944 825)
Creation of provision for impairment of other assets		(127 584)	15 459
Profit before tax		**2 893 775**	**1 707 221**
Income tax expense	22	(407 490)	(186 182)
Profit for the year		**2 486 285**	**1 521 039**
Other comprehensive income			
Items not subject to subsequent reclassification to income or loss:			
Income tax of other comprehensive income		(4 568 076)	29 142
Items not subject to subsequent reclassification to income or loss:			
Provision for revaluation of financial assets available for sale:			
- Net change in fair value		(491 549)	(146 432)
- Net change in fair value transferred to profit or loss		(21 388)	(76 577)
Provision for revaluation of PP&E:			
- Net change in fair value from revaluation of PP&E		22 840 387	-
		22 327 450	(223 009)
Other comprehensive income/(expense) for the period		**17 759 374**	**(193 867)**
Total comprehensive income for the period		**20 245 659**	**1 327 172**
Basic and diluted earnings per share on the profit attributable to Bank's owners (tenge per share)	16	873	1 215
Weighted average number of shares		2 362 308	1 000 000

M. Zhakubayeva
Acting Chairman of the Board

A. Dauletbekova
Chief Accountant

(in KZT thousands)	Share capital	Reserve capital	Revaluation reserve for fixed assets	Revaluation reserve for securities	Retained earnings	Total
Balance at 31 December 2012	14 500 000	121 719	263 810	30 664	467 608	15 383 801
Profit for the year	-	-	-	-	1 521 039	1 521 039
Other comprehensive income	-	-	-	-	-	-
Financial assets available for sale:	-	-	-	-	-	-
Net change in fair value:	-	-	-	(146 432)	-	(146 432)
Net change in fair value transferred to profit or loss:	-	-	-	(76 577)	-	(76 577)
Change in income tax related to other comprehensive income components	-	-	-	29 142	-	29 142
Total comprehensive income/expense:	-	-	-	**(193 867)**	**1 521 039**	**1 327 172**
Share issue:	-	-	-	-	-	-
Mandatory reserve:	-	40 587	-	-	(40 587)	-
Provision for revaluation utilised	-	-	(5 632)	-	5 632	
Payment of dividends	-	-	-	-	(360 000)	(360 000)
Balance at 31 December 2013	**14 500 000**	**162 306**	**258 178**	**(163 203)**	**1 593 692**	**16 350 973**
Profit for the period	-	-	-	-	2 486 285	2 486 285
Other comprehensive income	-	-	-	-	-	-
Financial assets available for sale:	-	-	-	-	-	-
Net change in fair value:	-	-	-	(491 549)	-	(491 549)
Net change in fair value transferred to profit or loss:	-	-	-	(21 388)	-	(21 388)
Property, plant and equipment:					-	-
Net change in fair value from revaluation of PP&E	-	-	22 840 387	-	-	22 840 387
Income tax attributable to components of OCI	-	-	(4 568 076)	-	-	(4 568 076)
Total comprehensive income	-	-	**18 272 311**	**(512 937)**	**2 486 285**	**20 245 659**
Share issue:	20 000 000	-	-	-	-	20 000 000
Provision for revaluation utilised			(40 855)		40 855	-
Payment of dividends		-	-	-	(305 995)	(305 995)
Balance at 31 December 2014	**34 500 000**	**162 306**	**18 489 634**	**(676 140)**	**3 814 837**	**56 290 637**

M. Zhakubayeva
Acting Chairman of the Board

A. Dauletbekova
Chief Accountant

(in KZT thousands)	**2014**	**2013**
Cash flows from operating activities		
Interest received	20 783 173	13 301 808
Interest paid	(17 758 099)	(7 414 412)
Fees and commissions received	2 383 938	1 504 079
Fees and commissions paid	(169 441)	(78 381)
Income received from foreign currency transactions	963 996	406 086
Net change in fair value through profit or loss	(649 286)	-
Net income from transactions with fixed assets available for sale	19 533	76 577
Other operating income received	309 645	166 574
Administrative and other operating expenses	(7 501 807)	(4 635 363)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**(1 618 348)**	**3 326 968**
(Increase)/decrease in operating assets and liabilities		
Due from other banks	(13 670 221)	(458 771)
Loans and advances to customers	(212 695 609)	(79 012 143)
Other financial assets	123 570	308 340
Customer accounts	167 058 325	120 546 181
Bank accounts	11 941 000	40
Loans from banks and other financial institutions	13 995 070	-
Other liabilities	635 289	(33 701)
Net cash from/(used in) operating activities before income tax	**(34 230 924)**	**44 676 914**
Income tax paid	(193 602)	(363 619)
Net cash from/(used in) operating activities	**(34 424 526)**	**44 313 295**
Cash flows from investing activities		
Acquisition of investment securities available-for-sale	(22 094 002)	(49 372 451)
Revenue from sales and repayment of investment securities available for sale	25 944 456	15 951 824
Acquisition of PP&E and intangible assets	(7 372 536)	(889 898)
Net cash from/(used in) investing activities	**(3 522 082)**	**(34 310 526)**

(in KZT thousands)	2014	2013
Cash flows from financing activities		
Share issue	20 000 000	
Subordinated debt	3 000 000	4 959 278
Issued debt securities	45 076 305	6 963 707
Dividends	(306 000)	(360 000)
Net cash from financing activities	**67 770 305**	**11 562 985**
Effect of exchange rate changes on cash and cash equivalents	2 199 178	121 064
Net increase in cash and cash equivalents	**29 823 698**	**21 565 755**
Cash and cash equivalents at the beginning of the year	29 973 311	8 286 492
Cash and cash equivalents at the end of the year	**61 996 187**	**29 973 311**

M. Zhakubayeva
Acting Chairman of the Board

A. Dauletbekova
Chief Accountant

1. Introduction

RBK Bank JSC was established as commercial bank and as a joint stock company in accordance with the requirements of the Republic of Kazakhstan laws. The Bank is registered and domiciled in the Republic of Kazakhstan.

The Bank operates since March 1992 and was established as private bank "Meken". In April 1996 the Bank was reorganised in closed joint stock company "Alash Bank". In May 2005 the Bank was reregistered as joint stock company in accordance with the requirements of the Republic of Kazakhstan laws. On 22 August 2005 the Bank was renamed as "Kazakhstan Innovational Commercial Bank" JSC or "KAZINCOMBANK" JSC. On 23 September 2011 the Bank was renamed as RBK Bank JSC.

In 2014 there were changes in shareholding structure. The list of the shareholders owning 5 and more percent of total placed ordinary shares as of 31 December 2014 and 31 December 2013 is presented below:

	31 December 2014 Share, %	31 December 2013 Share, %
Fund Invest Property Management Directorate LLP	18,0%	-
Farid Lyukhudzyaev	11,0%	11,0%
G.K. Zhauarova	-	11,0%
D.A. Idrissov	9,9%	-
K.T. Arbiyev	9,0%	-
B.A. Nazarbayev	9,0%	-
K.K. Sharipbayev	9,0%	-
M.M. Utepbergenov	-	9,0%
INTERTRANS C.A.,LLP	-	8,9%
VELTON, LLP	-	8,9%
G.S. Kim	-	8,4%
T.T. Dzhumayev	-	8,3%
E.V. Mamedov	-	8,3%
D.A. Mazhitov	-	5,2%
Others with a share of less than 5%	34,1%	21,0%
Total	**100%**	**100%**

The list of the shareholders owning 5 and more percent of total placed preference shares as of 31 December 2014 and 31 December 2013 is presented below:

	31 December 2014 Share %	31 December 2013 Share %
CITY GARANT INVESTMENTS, LLP	44,2%	44,2%
VELTON, LLP	22,2%	22,2%
NORTH WIND, LLP	11,1%	11,1%
ALEMTRADINGKOMMERZ, LLP	11,1%	11,1%
GEFEST KOMMERZ, LLP	11,1%	0,0%
Others with a share of less than 5%	0,3%	11,4%
Total	**100%**	**100%**

1 Introduction (continued)

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Kazakhstan. The Bank operates under a banking license reissued by the Republic of Kazakhstan National Bank on 23 December 2014. The Bank is a participant of Kazakhstan Deposit Guarantee Fund JSC.

Number of the Bank's employees as at 31 December 2014 was 951 (2013: 673). As at 31 December 2014 the Bank had 7 branches (2013: 6 branches) and 8 departments (2013: 7 departments). The Bank's registered office is at: Bldg. 84, Adi Sharipov street, Almaty, Republic of Kazakhstan.

2. Economic Environment

The Bank operates in the Republic of Kazakhstan. Accordingly, the Bank is exposed to risks specific to the Kazakhstan economic and financial market. Legal and tax systems and regulatory framework are being developed, however they are subject to various interpretations and frequent changes, which together with other legal and finance barriers, increase the difficulties faced by entities operating in Kazakhstan. The accompanying financial statements reflect the Bank management's assessment of possible effect of current business environment on the Bank's performance and financial position. Subsequent development of business environment may differ from the management's assessment.

3. Basis of Preparation of Financial Statements

Statement of Compliance. These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Measurement Basis. These financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value through profit or loss, and available-for-sale financial assets measured at fair value, and buildings and land measured at revalued amount.

Functional and Presentation Currency. The functional currency of the Bank is Kazakhstan tenge (hereinafter "KZT") which, being the national currency of the Republic of Kazakhstan, in the best way reflects economic substance of most of the Bank's operations and related circumstances effecting activities thereof.

Tenge is also the presentation currency of these financial statements. All figures are presented in KZT, rounded to KZT thousands.

Use of Judgments, Accounting Estimates and Assumptions. The management used estimates and assumptions about the assets and liabilities reported and disclosures of contingent assets and liabilities in preparation of these financial statements in accordance with IFRS. Actual results may differ from those estimates.

Accounting estimates and judgments on provision for impairment of loans and receivables and other financial assets are considered as important for presentation of the Bank's financial position.

4. Summary of Significant Accounting Policies

The accounting policies described below have been consistently applied in all reporting periods presented in these financial statements.

Foreign Currency Transactions. Foreign currency transactions are translated into the Bank's functional currency at the rates of exchange effective at the transaction dates. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the exchange rate at the reporting date.

4 Summary of Significant Accounting Policies (continued)

Profit or loss on transactions with monetary assets and liabilities denominated in a foreign currency, is the difference between amortised cost in the functional currency as at the beginning of the period adjusted for interest accrued at the effective interest rate and payments during the period, and amortised cost in a foreign currency translated into the functional currency at the rate effective at the end of the reporting period. Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated into the functional currency at the exchange rates at the fair value measurement dates.

Non-monetary assets and liabilities denominated in a foreign currency and carried at actual costs are translated into the functional currency at the rate effective at the transaction date. The exchange differences arising on translation into a foreign currency are recognised in profit or loss with the exception of differences arising on translation of equity financial instruments available for sale or those that are designated as part of the cash flow hedge recognised on other comprehensive income.

Cash and Cash Equivalents. Cash includes cash, unrestricted balances with the Republic of Kazakhstan National Bank (hereinafter NBRK) and other banks (nostro accounts), all interbank deposits with original maturity less than three months. Statutory reserves are included into the balances with NBRK. Cash unrestricted for more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are recognised at amortised cost.

Financial Instruments

Classification of Financial Instruments

Financial assets or liabilities at fair value through profit or loss are financial assets or liabilities that meet either of the following conditions:

- they are acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- on initial recognition they are 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; or
- upon initial recognition they are designated by the entity as at fair value through profit or loss.

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;
- those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank upon initial recognition designates as available for sale; or
- those for which the Bank 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;
- those that the Bank designates as available for sale; and
- those that 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 (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

4 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Recognition of Financial Instruments in the Financial Statements. The Bank recognises a financial asset in its statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are recognised at the settlement date.

Measurement of Financial Instruments. When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial 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 financial liability.

After 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 the following financial assets:

- loans and receivables measured at amortised cost using the effective interest method;
- held-to-maturity investments 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. Such instruments are recognised in financial statements at actual costs.

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

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

Fair Value Measurement. *Fair value* is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and asking price for financial liabilities quoted in the active market. For the assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or any such organisation, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques, such as discounted cash flow analysis, as well as techniques using reference to similar arm's length market transactions or current value of investee, are used to establish fair value of a financial instrument for which the market is not active. Calculations under those valuation techniques may require the management to use judgements not supported by observable market data. Reasonable changes in those judgements will result in material changes in the profit, income, total assets or liabilities disclosed in these financial statements.

4 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Gains and Losses Arising from Subsequent Revaluation. A gain or loss arising from a change in the fair value of a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial instrument classified as at fair value through profit or loss are recognised in profit or loss;
- A gain or loss on an available-for-sale financial asset is recognised in equity in other comprehensive income, except for impairment losses and foreign exchange gains and losses on available-for-sale debt instruments, until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest income on an available-for-sale financial asset is recognised using the effective interest rate in profit or loss when the right to receive payment is established.

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

Derecognition of Financial Assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Bank writes off the assets that have been found non-recoverable.

REPO and Reverse REPO. Securities sold together with an agreement for the seller to buy back the securities (REPO) are recognised as fund raising secured with securities, in which case securities are still recognised in the statement of financial position, and liabilities to counterparties included in REPO payables are recognised as bank accounts and deposits or current client accounts and deposits, as appropriate. Difference between the selling price and the repurchase price is the interest expense and is recognised as profit or loss for the period in which REPO took place using the EIR method. Securities acquired under reverse repurchase agreements (reverse REPO) included in reverse REPO receivables are carried to loans and advances to banks or loans to customers, as appropriate. The difference between purchase price and reverse selling price is interest income and is recognised in profit or loss for the period of the REPO transaction using the effective interest rate method. Where assets acquired under REPO agreements are sold to third parties, the obligation to buy back the securities is recognised as the liability held for trading, and is measured at fair value.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4 Summary of Significant Accounting Policies (continued)

Fixed Assets. Fixed assets are stated at cost, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Premises of the Bank are subject to revaluation with sufficient frequency to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. They were last revalued in 2014. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit and loss for the year. The revaluation reserve for fixed assets included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank. In the latter case, the amount of the surplus realised is the difference between depreciation based on the revaluated carrying amount of the asset and depreciation based on the asset's original cost. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of fixed assets items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists management estimates the recoverable amount, which is determined as the higher of an asset fair value less cost to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year, to the extend it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expense).

Depreciation. Land is not depreciated. Depreciation on other items of fixed assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful lives as follows:

Item	31 December 2014	31 December 2013
Buildings	50-60 years	50 years
Constructions	10 years	10 years
Computer facility	5 years	5 years
Transport	7 years	7 years
Other assets	2-14 years	2-14 years
Intangible assets, including:		
Licensed software	5 years	5 years
Other intangible assets	3 years	3 years

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4 Summary of Significant Accounting Policies (continued)

Intangible Assets. Intangible assets acquired are reported in the financial statements at actual costs less accumulated amortisation and impairment loss. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Impairment

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

Objective evidence that financial assets are impaired includes non-performance of obligations (default) or delinquency in payments by the borrower, the borrower's non-performance of contractual obliogations or a breach of contract, restructuring of a loan or advance which the Bank would not otherwise consider, indication of the borrower's or issuer's possible bankruptcy, disappearance of an active market for the securities, decrease in the value of collateral or other observable data related to the group of assets, such as adverse changes in the payment status of borrowers in the group or changes in economic conditions that correlate with defaults of the borrowers in the group.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or account receivable, whether significant or not, it includes the loan 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 loans and receivables has been incurred, the amount of the loss is measured as the difference between the carrying amount of a loan or account receivable and the present value of estimated future cash flows (including recoverable amount of guarantees and collateral) discounted at the original effective interest rate on a loan or account receivable. Contractual cash flows and historical experience of losses incurred adjusted for the relevant available information reflecting current economic conditions are used to estimate cash flows.

In some cases, available information required to determine the impairment loss on a loan or account receivable may be limited or be no longer consistent with the current conditions and circumstances. This may be the case with a borrower having financial difficulties, while an available information on similar borrowers being limited. In such cases the Bank uses its experience and judgements to determine the impairment loss.

4 Summary of Significant Accounting Policies (continued)

Impairment (continued)

Financial assets carried at amortised cost (continued)

All impairment losses on loans and receivables are recognised in profir or loss and shall be reversed only if in a subsequent period the recoverable amount increases and the increase can be objectively related to an event occurring after the impairment loss was recognised.

Where the loan is non-recoverable, the loan is written down with the use of relevant provision for loan impairment. Such loans (and any relevant provisions for loan impairment) are written down after the management has determined that the loans cannot be recovered and all necessary procedures to recover the debts have been completed.

Financial assets carried at actual costs. Financial assets carried at actual costs include unquoted equity instruments classified as available-for-sale financial assets that are not carried at fair value since their fair value cannot be reliably measured. If there is objective evidence that such investments have been impaired, the amount of the loss is measured as the difference between the carrying amount of investments and the present value of estimated future cash flows discounted at the current market rate of return on similar financial assets.

All impairment losses on those investments are recognised in profit or loss and non-reversible.

Available-for-sale financial assets. The impairment loss on available-for-sale financial assets is recognised by reclassifying the cumulative loss that had been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The amount of 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 current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Changes in the provision for impairment due to the time value of money are recognised as a component of interest income.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired debt instrument classified as available for sale 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 shall be reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent reversal of fair value of an impaired debt instrument classified as available for sale is recognised in other comprehensive income.

Provisions. Provision is recorded in the statement of financial position, when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the amount of such obligation is considerable, provisions are determined by discounting estimated future cash flows at the pre-tax discount rate that reflects the current time value of money and, where applicable, risks inherent in the obligation.

Credit Related Commitments. In the course of its normal economic operations the Bank enters into credit related commitments, including loan facilities, letters of credit and financial guarantees.

A financial guarantee contract is a contract that requires 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.

4 Summary of Significant Accounting Policies (continued)

Credit Related Commitments (continued)

Financial guarantees are initially recognised at their fair value, less associated transaction costs and subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at reporting date. Provisions for expenditure required to settle the financial guarantees and other credit related commitments are recognised where there is a likelihood of losses to be incurred which can be reliably estimated.

Financial guarantees and provisions for other credit related commitments are recognised in other liabilities.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Taxes. The income tax expense comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to the taxation authorities in respect of taxable profit for the year computed at the tax rates that are enacted, or substantively enacted, at the reporting date, as well as all adjusted income tax liabilities for prior years.

Deferred income tax is provided using the balance sheet liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised based on the expected manner of recovery or settlement or calculation of carrying amount of assets and liabilities at the tax rates that are enacted, or substantively enacted, at the reporting date.

Deferred tax asset is recorded only to the extent that it is likely that future taxable profit will be available against which the relevant temporary differences and unused tax losses and credits can be utilised. Deferred tax assets are decreased to the extent that it is no longer probable that associated tax benefits will be received.

Recognition of Income and Expense. *Recognition of Interest Income and Expense.* Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net present value of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of impairment, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest earned on assets at fair value is classified within interest income.

Recognition of Commission Income and Expense. Origination fee, as well as related direct and implicit lending costs, are recognised as an adjustment to the effective interest rate. Loan service fees and other commission fees are recorded once a related service is rendered.

4 Summary of Significant Accounting Policies (continued)

Pension Obligations

In compliance with the legal requirements, the Bank makes contributions to the unified pension fund out of the employee salaries. Pension obligations are expensed as employee benefits in profit or loss for the periods in which the employees provided respective services under employment contracts.

Upon retirement of an employee, all pension payments are made by the unified pension fund. The Bank has no other pension scheme and bears no other obligations to pay any additional amounts.

5. Adoption of New and Revised Standards and Interpretations

New and Revised Standards and Interpretations

In these financial statements the Bank used the same accounting policies as were used to prepare the Bank's annual financial statements for the year ended 31 December 2013, except that the Bank adopted the following revised standards and interpretations which are obligatory for the financial statements for the period beginning since 1 January 2014. Adoption of the following amendments had no effect on the Bank's financial statements:

- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities;
- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets;
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting;
- IAS 27 Separate Financial Statements.

The following effective amendments are not applicable to the Company's operations:

- IFRS 10 Consolidated Financial Statements, and
- IFRS 12 Disclosure of Interests in Other Entities.

6. Cash and Cash Equivalents

(in KZT thousands)	31 December 2014	31 December 2013
Cash on hand	**7 814 676**	**7 779 567**
Cash balances with NBRK	**44 246 447**	**15 360 537**
Term deposits		
- with a credit rating "BBB"	1 252 549	-
- with a credit rating "B-"	3 000 000	-
Total term deposits	**4 252 549**	**-**
Nostro accounts with other banks		
- with a credit rating "A+" to "A-"	4 479 762	6 256 066
- with a credit rating "BBB" to "BBB-"	702 576	80 094
- with a credit rating "BB" to "BB-"	472 616	216 744
- with a credit rating "B+" to "B-"	24 441	280 303
- no rating	3 119	-
Total nostro accounts with other banks	**5 682 514**	**6 833 207**
Total cash and cash equivalents	**61 996 186**	**29 973 311**

As at 31 December 2014 statutory provisions included to RK National Bank RK account balances amounted to KZT 8,565,463 thousand (31 December 2013: KZT 3,864,964 thousand).

Credit ratings are presented in accordance with Fitch rating agency scale.

Any of Cash and Cash Equivalents items are neither impaired nor overdue.

As at 31 December 2014 the Bank had no corresponding banks owning more than 10% of capital (31 December 2013: one bank with balance of KZT 4,681,163thousand).

7. Due from Other Banks

(in KZT thousands)	31 December 2014	31 December 2013
Term deposits	**6 186 200**	**-**
- with B credit rating	6 186 200	-
Conditional deposits	**8 165 200**	**470 298**
- RKNB	6 796 633	-
- with BB+ credit rating	1 368 567	-
- with BB credit rating	-	470 298
Total due from other banks	**14 351 400**	**470 298**

8. Loans and Advances to Customers

(in KZT thousands)	31 December 2014	31 December 2013
Corporate loans	296 771 116	119 173 227
Loans to individuals	78 738 613	29 030 075
Loans and advances to customers before provision for impairment	**375 509 729**	**148 203 302**
Provision for loan impairment	(10 437 558)	(4 956 583)
Total loans and advances to customers	**365 072 171**	**143 246 719**

Below is the analysis of changes in provision for impairment by classification of loans to customers for the year ended 31 December 2014:

(in KZT thousands)	Corporate loans	Loans to individuals	Total
At 1 January 2014	**(4 353 112)**	**(603 471)**	**(4 956 583)**
Net creation of provision	(5 698 410)	(781 184)	(6 479 594)
Write-off of receivables against provision	1 163 794	442	1 164 236
Foreign exchange difference	(163 964)	(1 653)	(165 617)
Provision for loan impairment at 31 December 2014	**(9 051 692)**	**(1 385 866)**	**(10 437 558)**

Changes in provision for impairment by classification of loans and advances to customers for the year ended 31 December 2013 are as follows:

(in KZT thousands)	Corporate loans	Loans to individuals	Total
At 1 January 2013	**(1 788 613)**	**(216 973)**	**(2 005 586)**
Net creation of provision	(3 236 441)	(387 632)	**(3 624 073)**
Write-off of receivables against provision	755 537	-	**755 537**
Repayment of loans previously written off as a loss	(71 500)	-	**(71 500)**
Foreign exchange difference	(12 095)	1 134	**(10 961)**
Provision for loan impairment at 31 December 2013	**(4 353 112)**	**(603 471)**	**(4 956 583)**

8. Loans and Advances to Customers (continued)

Below is the analysis of loans by credit quality as at 31 December 2014:

(in KZT thousands)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Provision-to loans before provision ratio, %
Loans to large entities				
Individually impaired loans				
Undue	16 149 674	(1 768 020)	14 381 654	10,95%
- less than 31 days past due	3 849 199	(367 983)	3 481 216	9,56%
- 181-360 days past due	1 527 344	(1 411 440)	115 904	92,41%
- more than 360 days past due	173 292	(173 292)	-	100,00%
Total individually impaired loans	**21 699 509**	**(3 720 735)**	**17 978 774**	**17,15%**
Collectively impaired loans				
Undue	77 766 440	(151 273)	77 615 167	0,19%
- less than 31 days past due	92 784	(139)	92 645	0,15%
Total collectively impaired loans	**77 859 224**	**(151 412)**	**77 707 812**	**0,19%**
Total loans to large entities	**99 558 733**	**(3 872 147)**	**95 686 586**	**3,89%**
Loans to small and medium entities				
Individually impaired loans				
Undue	1 859 783	(946 726)	913 057	50,91%
- less than 31 days past due	106 858	(1 902)	104 956	1,78%
- 31-90 days past due	32 613	(8 773)	23 840	26,90%
- 91-180 days past due	2 605 469	(1 283 748)	1 321 721	49,27%
- 181-360 days past due	1 073 197	(800 411)	272 786	74,58%
- more than 360 days past due	1 710 659	(1 486 609)	224 050	86,90%
Total individually impaired loans	**7 388 579**	**(4 528 169)**	**2 860 410**	**61,29%**
Collectively impaired loans				
Undue	182 866 880	(634 416)	182 232 464	0,35%
- less than 31 days past due	1 601 340	(5 349)	1 595 991	0,33%
- 31-90 days past due	844 861	(3 299)	841 562	0,39%
- 91-180 days past due	619 358	(1 816)	617 542	0,29%
- 181-360 days past due	2 936 146	(5 063)	2 931 083	0,17%
- more than 360 days past due	955 219	(1 433)	953 786	0,15%
Total collectively impaired loans	**189 823 804**	**(651 376)**	**189 172 428**	**0,34%**
Total loans to small and medium entities	**197 212 383**	**(5 179 545)**	**192 032 838**	**2,63%**
Total corporate loans	**296 771 116**	**(9 051 692)**	**287 719 424**	**3,05%**

8. Loans and Advances to Customers (continued)

Below is the analysis of loans by credit quality as at 31 December 2014 (continued):

(in KZT thousands)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Provision-to loans before provision ratio, %
Consumer and other loans to individuals				
Individually impaired loans				
Undue	457 540	(94 994)	362 546	20,76%
- 31-90 days past due	6 526	(6 526)	-	100,00%
- 91-180 days past due	791 180	(466 051)	325 129	58,91%
- 181-360 days past due	65 386	(65 386)	-	100,00%
- more than 360 days past due	352 576	(352 576)	-	100,00%
Total individually impaired loans	**1 673 208**	**(985 533)**	**687 675**	**58,90%**
Collectively impaired loans				
Undue	73 851 875	(354 503)	73 497 372	0,48%
- less than 31 days past due	1 292 706	(6 167)	1 286 539	0,48%
- 31-90 days past due	1 392 380	(25 510)	1 366 870	1,83%
- 91-180 days past due	391 188	(10 522)	380 666	2,69%
- 181-360 days past due	63 161	(1 638)	61 523	2,59%
- more than 360 days past due	74 095	(1 993)	72 102	2,69%
Total collectively impaired loans	**77 065 405**	**(400 333)**	**76 665 072**	**0,52%**
Total consumer and other loans to individuals	**78 738 613**	**(1 385 866)**	**77 352 747**	**1,76%**

Below is the analysis of loans by credit quality as at 31 December 2013:

(in KZT thousands)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Provision-to loans before provision ratio, %
Loans to large entities				
Individually impaired loans				
Undue	1 324 735	(467 944)	856 791	35,32%
Total individually impaired loans	**1 324 735**	**(467 944)**	**856 791**	**35,32%**
Collectively impaired loans				
Undue	57 621 546	(516 307)	57 105 239	0,90%
- less than 31 days past due	514 939	(206)	514 733	0,04%
- 31-90 days past due	482 325	(193)	482 132	0,04%
- 91-180 days past due	194 763	(4 265)	190 498	2,19%
Total collectively impaired loans	**58 813 573**	**(520 971)**	**58 292 602**	**0,89%**
Total loans to large entities	**60 138 308**	**(988 915)**	**59 149 393**	**1,64%**

8. Loans and Advances to Customers (continued)

Below is the analysis of loans by credit quality as at 31 December 2013 (continued):

(in KZT thousands)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Provision-to loans before provision ratio, %
Loans to small and medium entities				
Individually impaired loans				
- less than 31 days past due	1 955 994	(575 379)	1 380 615	29,42%
- 31-90 days past due	773 404	(252 663)	520 741	32,67%
- 181-360 days past due	1 746 576	(1 181 211)	565 365	67,63%
- more than 360 days past due	806 358	(806 358)	-	100%
Total individually impaired loans	**5 282 332**	**(2 815 611)**	**2 466 721**	**53,30%**
Collectively impaired loans				
Undue	51 214 598	(521 833)	50 692 765	1,02%
- less than 31 days past due	768 872	(13 637)	755 235	1,77%
- 31-90 days past due	574 114	(12 042)	562 072	2,10%
- 91-180 days past due	1 195 003	(1 074)	1 193 929	0,09%
Total collectively impaired loans	**53 752 587**	**(548 586)**	**53 204 001**	**1,02%**
Total loans to small and medium entities	**59 034 919**	**(3 364 197)**	**55 670 722**	**5,70%**
Total corporate loans	**119 173 227**	**(4 353 112)**	**114 820 115**	**3,65%**

(в тысячах тенге)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Provision-to loans before provision ratio, %
Consumer and other loans to individuals				
Individually impaired loans				
- 31-90 days past due	207 801	(207 801)	-	100%
Total individually impaired loans	**207 801**	**(207 801)**	**-**	**100%**
Collectively impaired loans				
Undue	26 556 164	(34 522)	26 521 642	0,13%
- less than 31 days past due	1 008 663	(1 535)	1 007 128	0,15%
- 31-90 days past due	668 363	(27 252)	641 111	4,08%
- 91-180 days past due	285 432	(44 914)	240 518	15,74%
- 181-360 days past due	253 234	(237 029)	16 205	93,60%
- more than 360 days past due	50 418	(50 418)	-	100%
Total collectively impaired loans	**28 822 274**	**(395 670)**	**28 426 604**	**1,37%**
Total consumer and other loans to individuals	**29 030 075**	**(603 471)**	**28 426 604**	**2,08%**

8. Loans and Advances to Customers (continued)

The following is information on collateral as at 31 December 2014:

(in KZT thousands)	Corporate loans	Loans to individuals	Total	%
Unsecured loans	**233 455**	**2 134 918**	**2 368 373**	**0,6%**
Loans secured on:				
- assets receivable under the contracts	57 368 595	2 437	57 371 032	15,3%
- real estate	28 974 261	54 737 427	83 711 688	22,3%
- third party guarantees	49 398 598	1 890 714	51 289 312	13,7%
- goods for sale and goods receivable in the future	71 052 707	-	71 052 707	18,9%
- cash	10 510 145	3 544 509	14 054 654	3,7%
- combined provision	11 250 450	-	11 250 450	3,0%
- transport	186 887	281 774	468 661	0,1%
- other assets	67 796 018	16 146 834	83 942 852	22,4%
Total loans and advances to customers	**296 771 116**	**78 738 613**	**375 509 729**	**100%**

As at 31 December 2014 total cash collateral on corporate loans amounted to KZT 11,573,623 thousand (31 December 2013: KZT 4,732,973 thousand), on loans to individuals – KZT 3,814,602 thousand (31 December 2013: KZT 1,420,438 thousand).

The following is information on collateral as at 31 December 2013:

(in KZT thousands)	Corporate loans	Loans to individuals	Total	%
Unsecured loans	**336 259**	**1 686 249**	**2 022 508**	**1,4%**
Loans secured on:				
- assets receivable under the contracts	9 778 635	-	9 778 635	6,6%
- real estate	20 239 757	21 961 615	42 201 372	28,5%
- third party guarantees	28 162 228	3 350 408	31 512 636	21,3%
- goods for sale and goods receivable in the future	5 842 658	-	5 842 658	3,9%
- cash	3 699 678	1 533 999	5 233 677	3,5%
- combined provision	3 197 210	72 684	3 269 894	2,2%
- transport	34 656	239 366	274 022	0,2%
- other assets	47 882 146	185 754	48 067 900	32,4%
Total loans and advances to customers	**119 173 227**	**29 030 075**	**148 203 302**	**100%**

8. Loans and Advances to Customers (continued)

The following shows the structure of risk concentration of client's loan portfolio by industries:

(in KZT thousands)	31 December 2014		31 December 2013	
	Amount	%	Amount	%
Wholesale and retail trade	122 959 330	33%	42 590 335	29%
Individuals	78 738 613	21%	29 030 075	20%
Construction	34 339 431	9%	7 434 437	5%
Processing industry	23 574 824	6%	20 496 589	14%
Real estate operations	22 516 651	6%	3 261 931	2%
Other professional, scientific and technical activities	19 611 761	5%	8 884 971	6%
Transport, warehousing	15 424 829	4%	9 572 618	6%
Mining industry	9 310 436	2%	8 523 150	6%
Administration and support services	6 346 402	2%	2 330 635	2%
Agriculture, forestry and fishery	4 749 365	1%	4 471 790	3%
Information and communication	3 203 152	1%	904 870	1%
Financial and insurance services	1 669 911	0%	4 111 203	3%
Accommodation and meals	1 229 906	0%	637 532	0%
Public health and social service	736 598	0%	666 191	0%
Electric power supply, gas supply and air conditioning	393 450	0%	100 325	0%
Arts, entertainment and leisure activities	156 664	0%	15 802	0%
Education	138 070	0%	31 218	0%
Other industries	30 410 336	8%	5 139 630	3%
Total loans and advances to customers (before provision for loan impairment)	**375 509 729**	**100%**	**148 203 302**	**100%**

Below is the detailed information on *Construction* and *Real Estate Operations*:

(in KZT thousands)	31 December 2014	%	Highly liquid collateral	31 December 2013	%	%
By aims and cash collateral:						
Construction	**34 339 430**	**100%**	**10 393 786**	**7 434 437**	**100%**	**2 521 734**
- costs on current assets	10 212 120	30%	194 564	4 378 350	59%	2 189 720
- funds to new construction and reconstruction of facilities	9 081 884	26%	2 729 704	-	0%	-
- funds to acquire PP&E (except for lease)	4 367 213	13%	22 042	2 734 347	37%	309 972
- other aims	10 678 213	31%	7 447 476	321 740	4%	22 042
Transactions with fixed property:	**22 516 651**	**100%**	**145 424**	**3 261 932**	**100%**	-
- funds to acquire PP&E (except for lease)	16 020 746	71%	145 424	283 202	9%	-
- funds to new construction and reconstruction of facilities	1 965 976	9%	-	-	0%	-
- costs on current assets	100 700	0%	-	18 622	1%	-
- other aims	4 429 229	20%	-	2 960 108	91%	-

8. Loans and Advances to Customers (continued)

(in KZT thousands)	31 December 2014		31 December 2013	
	Amount	%	Amount	%
Loans to individuals				
Consumer loans	73 673 739	94%	25 737 572	89%
including those secured on real property	48 547 569		17 970 109	62%
Mortgages	4 906 942	6%	3 136 181	11%
Auto loans	157 932	0%	156 322	0%
Total loans to individuals	**78 738 613**	**100%**	**29 030 075**	**100%**

As at 31 December 2014 the Bank had 8 borrowers or groups of related borrowers (31 December 2013: 18), the loans whereof are of more than 10% of the capital. Total loan balances of borrowers specified as at 31 December 2014 was KZT 89,106,708 thousand (31 December 2013: KZT 59,820,580 thousand).

In assessing impairment of loans and advances to customers, the Bank applies the following key assumptions and judgments:

- Individually significant (debts of more than KZT 200,000 thousand) loans that are considered individually in determining the provision for impairment are allocated as part of the loan portfolio.
- Corporate loans that are not individually significant are considered individually.
- Loans that are not individually significant, and have no signs of impairment are grouped with similar credit risk characteristics and evaluated together for impairment.
- Evaluation is made in the context of corporate (by industries) and retail customers.
- In order to identify impairment, the Bank performs complex analysis of corporate clients' financial position. If there is no objective evidence of impairment, the collective impairment rate of the group similar by credit risk characteristics shall be applied to individually significant loans.
- The collective impairment rate is calculated on historical cost basis of the Bank and is defined using the Roll-Rate model.

The interest rate analysis of customer accounts is disclosed in Note 24. The relevant information on related parties is disclosed in Note 29.

9. Financial Assets Available-for-Sale

(in KZT thousands)	31 December 2014	31 December 2013
Government securities of RK		
of Kazakhstan	32 409 719	34 705 664
NBRK notes	-	1 999 308
Securities of SWF "Samruk-Kazyna" JSC	296 440	303 585
Total government securities of RK	**32 706 159**	**37 008 557**
Government securities of foreign states		
Securities of international financial institutions	1 433 295	1 937 845
Securities of foreign states	3 445 722	1 682 622
Total government securities of foreign states	**4 879 017**	**3 620 467**
Corporate bonds	**6 238 476**	**5 481 265**
Total debt securities	**43 823 652**	**46 110 289**

9. Financial Assets Available-for-Sale (continued)

Below is the analysis of debt securities by credit quality as at 31 December 2014:

(in KZT thousands)	Government securities of the MF RK	NBRK notes	Securities of SWF "SAMRUK KAZYNA" JSC	Securities of international financial institutions	Securities of foreign states	Corporate bonds	Total
Neither past due nor impaired							
Fitch Ratings: "AAA"	-	-	-	568 040	1 622 968	-	2 191 008
Fitch Ratings: "A-"	-	-	296 440	-	-	-	296 440
Fitch Ratings: "BBB+"	-	-	-	-	-	161 874	161 874
Fitch Ratings: "BBB"	32 409 719	-	-	-	-	1 756 783	34 166 502
Fitch Ratings: "BBB-"	-	-	-	-	-	575 106	575 106
Moody's: "Baa2"	-	-	-	-	1 822 754	-	1 822 754
Moody's: "Baa3"	-	-	-	-	-	551 758	551 758
Moody's: "A3"	-	-	-	865 255	-	-	865 255
Moody's: "Ba3"	-	-	-	-	-	490 290	490 290
Standard & Poor's: "BB+"	-	-	-	-	-	2 702 665	2 702 665
Total neither past due nor impaired	**32 409 719**	**-**	**296 440**	**1 433 295**	**3 445 722**	**6 238 476**	**43 823 652**

Below is the analysis of debt securities by credit quality as at 31 December 2013:

(in KZT thousands)	Government securities of the MF RK	NBRK notes	Securities of SWF "SAMRUK KAZYNA" JSC	Securities of international financial institutions	Securities of foreign states	Corporate bonds	Total
Neither past due nor impaired							
Fitch Ratings: "AAA"	-	-	-	939 772	-	-	939 772
Fitch Ratings: "BBB"	-	-	-	-	-	2 135 230	2 135 230
Fitch Ratings: "BBB-"	-	-	-	-	-	329 891	329 891
Moody's: "Baa1"	-	-	-	-	1 682 622	1 010 802	2 693 424
Moody's: "Baa3"	-	-	-	-	-	1 531 105	1 531 105
Moody's: "A3"	-	-	-	998 073	-	-	998 073
Moody's: "Ba3"	-	-	-	-	-	474 237	474 237
Standard & Poor's: "BBB+"	34 705 664	1 999 308	303 585	-	-	-	37 008 557
Total neither past due nor impaired	**34 705 664**	**1 999 308**	**303 585**	**1 937 845**	**1 682 622**	**5 481 265**	**46 110 289**

10. Fixed and Intangible Assets

(in KZT thousands)	Land and buildings	Computer equipment	Vehicles	Equipment and other	Capital expenditure on buildings leased	PP&E under construction	Total PP&E	Intangible assets	Total
Cost or evaluation as at 1 January 2013	**653 520**	**149 144**	**152 289**	**423 751**	**216 566**	**79 690**	**1 674 960**	**371 156**	**2 046 116**
Acquisitions	-	38 853	128 816	161 590	-	456 386	785 645	9 598	795 243
Disposals	-	(697)	-	(14 657)	-	-	(15 354)	(41)	(15 395)
Transfers	360	4 174	-	184 410	307 416	(515 995)	(19 635)	19 634	(1)
Cost or evaluation as at 31 December 2013	**653 880**	**191 474**	**281 105**	**755 094**	**523 982**	**20 081**	**2 425 616**	**400 347**	**2 825 963**
Acquisitions	6 760 434	82 317	424 027	187 387	76 113	46 900	7 577 178	72 792	7 649 970
Revaluation	22 784 188	-	-	-	-	-	22 784 188	-	22 784 188
Disposals	(156 610)	(7 693)	(358 532)	(43 975)	-	-	(566 810)	(12 263)	(579 073)
Transfers	-	-	-	5 624	-	-	5 624	(5 624)	-
Cost or evaluation as at 31 December 2014	**30 041 892**	**266 098**	**346 600**	**904 130**	**600 095**	**66 981**	**32 225 796**	**455 252**	**32 681 048**
Accumulated depreciation as at 1 January 2013	**(17 870)**	**(34 647)**	**(9 533)**	**(71 243)**	**(40 823)**	**-**	**(174 116)**	**(58 360)**	**(232 476)**
Accrued for the period	(14 473)	(34 361)	(30 024)	(135 227)	(48 560)	-	(262 645)	(74 674)	(337 319)
Written-off at disposal		557	-	12 526	-	-	13 083	41	13 124
Accumulated depreciation as at 31 December 2013	**(32 343)**	**(68 451)**	**(39 557)**	**(193 944)**	**(89 383)**	**-**	**(423 678)**	**(132 993)**	**(556 671)**
Accrued for the period	(75 407)	(47 660)	(52 574)	(180 292)	(117 501)	-	**(473 434)**	(88 057)	(561 491)
Effect of revaluation	56 199	-	-	-	-	-	**56 199**	-	56 199
Written-off at disposal	-	7 531	17 975	42 549	-	-	**68 055**	12 263	80 318
Accumulated depreciation as at 31 December 2014	**(51 551)**	**(108 580)**	**(74 156)**	**(331 687)**	**(206 884)**	**-**	**(772 858)**	**(208 787)**	**(981 645)**
Carrying amount at 31 December 2013	**621 537**	**123 023**	**241 548**	**561 150**	**434 599**	**20 081**	**2 001 938**	**267 354**	**2 269 292**
Carrying amount at 31 December 2014	**29 990 341**	**157 518**	**272 444**	**572 443**	**393 211**	**66 981**	**31 452 938**	**246 465**	**31 699 403**

10. Fixed and Intangible Assets (continued)

In the reporting period the Bank acquired buildings and land plots located in Almaty and intended for own use for the amount of KZT 6,223,180 thousand.

Land and buildings are revalued on a regular basis, they were last revalued in November 2014. Fair value of land and buildings ws measured by an independent appraiser Grant Thornton Appraisal LLP. Fair value of real estate was measured using the three approaches: cost, income and comparative approaches.

Should buildings and land have been evaluated on a historical cost basis, their carrying amount as at 31 December 2014 would have been KZT 6,605,067 thousand (31 December 2013: KZT 28,729 thousand).

Initial cost of fully depreciated assets being used as at 31 December 2014 was KZT 88,444 thousand (31 December 2013: KZT 45,544 thousand).

11. Other Assets

(in KZT thousands)	31 December 2014	31 December 2013
Financial assets		
Investments	-	100 030
Deposit interest prepaid	50 054	47 702
Other financial assets	422 281	107 695
Provision for impairment	(39 943)	(24 874)
Total other financial assets	**432 392**	**230 553**
Non-financial assets		
Goods and services prepaid	1 111 764	199 072
Capital expenditure prepaid	32 577	93 774
Inventories	36 237	8 919
Other non-financial assets	6 863	171 352
Provision for impairment	-	(100)
Total other non-financial assets	**1 187 441**	**473 017**
Total other assets	**1 619 833**	**703 570**

The analysis of changes in provisions is as follows:

(in KZT thousands)	Financial assets	Other assets	Total
At 1 January 2014	**(24 874)**	**(100)**	**(24 974)**
Net provisioning	(127 584)	-	**(127 584)**
Write-off of debts against provisions	112 515	100	**112 615**
Provision for impairment of other assets at 31 December 2014	**(39 943)**	**-**	**(39 943)**

(in KZT thousands)	Financial assets	Other assets	Total
At 1 January 2013	**(39 329)**	**(1 007)**	**(40 336)**
Net provisioning	14 552	907	**15 459**
Effect of exchange difference	(97)	-	**(97)**
Provision for impairment of other assets at 31 December 2013	**(24 874)**	**(100)**	**(24 974)**

12. Customer Accounts

(in KZT thousands)	31 December 2014	31 December 2013
State and public organisations		
- Current/settlement accounts	64 228 607	38 058 757
- Term deposits	81 066 234	34 813 912
- Deposits which are collateral for liabilities	-	463 792
- Other deposits	1 994	
Other legal entities		
- Current/settlement accounts	20 103 976	34 740 926
- Term deposits	92 455 023	36 651 790
- Deposits which are collateral for liabilities	9 922 530	15 341 187
- Other deposits	52 455	6 005
Individuals		
- Current/demand accounts	5 645 589	1 775 818
- Term deposits	81 824 896	30 333 384
- Deposits which are collateral for liabilities	14 094 048	1 733 566
- Other deposits	803 802	2 277
Total customer accounts	**370 199 154**	**193 921 414**

As at 31 December 2014, the Bank had 16 customers with balances over 10% of the Bank's capital (31 December 2013: 19). Total balance of those customers was KZT 207,231,503 thousand (31 December 2013: KZT 110,163,830 thousand).

13. Other Liabilities

(in KZT thousands)	31 December 2014	31 December 2013
Financial liabilities		
Creditors under banking activities	259 040	53 847
Other financial liabilities	263 466	29 284
Total other financial liabilities	**522 506**	**83 131**
Non-financial liabilities		
Provision for employee leaves	237 400	145 700
Payables for goods and services	40 359	16 978
Payables for capital expenditure	1 000	558
Other non-financial liabilities	183 900	70 232
Total non-financial liabilities	**462 659**	**233 468**
Total other liabilities	**985 165**	**316 599**

14. Debt Securities Issued and Subordinated Debts

As at 31 December 2014 the following bonds were issued under the first Bond Program of the Bank:

- First issue: registered unsecured coupon bonds were placed for the amount of KZT 6,970,000 thousand, maturity of bonds - 3 years;
- Second issue: registered unsecured subordinated coupon bonds were placed for the amount of KZT 4,962,230 thousand, maturity of bonds - 7 years;
- Third issue: registered unsecured coupon bonds were placed for the amount of KZT 2,600,000 thousand, maturity of bonds - 3 years.

The above bonds have nominal interest rates of 8.0%, 9.5%, 8.0% per annum respectively.

14. Debt Securities Issued and Subordinated Debts (continued)

On 12 December 2014 NBRK registered an individual issue of registered unsecured coupon bonds. As at 31 December 2014 the Bank placed registered unsecured coupon bonds for the amount of KZT 42,405,802 thousand under this issue, maturity of bonds - 7 years, interest rate – 10.5% per annum.

Given discount and interest accrued, the coupon bonds amounted to KZT 52,162,016 thousand (31 December 2013: KZT 7,055,362 thousand), and accordingly, subordinated bonds – KZT 8,119,451 thousand (31 December 2013: KZT 5,036,377 thousand).

15. Share Capital

Below is the structure of the share capital as at 31 December 2014 and 31 December 2013:

(in KZT thousands, except for number of shares)	Shares outstanding (thousand pcs)	Ordinary shares	Preference shares
At 1 January 2013	**1 450 000**	**10 000 000**	**4 500 000**
Share issue	-	-	-
At 31 December 2013	**1 450 000**	**10 000 000**	**4 500 000**
Share issue	2 000 000	20 000 000	-
At 31 December 2014	**3 450 000**	**30 000 000**	**4 500 000**

As at 31 December 2014 and 31 December 2013, the authorised share capital of the Bank made 3,000,000 of ordinary and 450,000 of preference shares. As at the reporting date, ordinary shares were paid for the amount of KZT 30,000,000 thousand, and preference shares – for the amount of KZT 4,500,000 thousand.

As at 31 December 2014 and 2013 the nominal value of one ordinary share with one-vote right was KZT 10,000. The nominal value of one preference share was KZT 10,000 as well.

Dividends

In the reporting period dividends were declared and paid on preference shares for the amount of KZT 306,000 thousand at the rate of KZT 680 per preference share (31 December 2013: KZT 360,000 thousand), including KZT 5 thousand of guaranteed amount of dividends paid at the rate of KZT 0.01 per share.

Reserve Fund

As at 31 December 2014 and 31 December 2013 dynamic provision was KZT 638,060 thousand. Dynamic provisions allow the Bank to account for long-term expected losses on credit portfolio and amortise credit losses, if any.

16. Earnings per Share

Book values per ordinary (common) and preference share are calculated by the Bank in accordance with Appendix 6 to the Listing Rules approved by the Exchange Council of Kazakhstan Stock Exchange JSC (Minutes of Meetings held on 4 October 2010 No. 22).

Book value per common share

BVcs = NAV / NOcs, where

BVcs – book value per common share at calculation date;
NAV – net asset value for common shares at calculation date;
NOcs –(number of outstanding common shares at calculation date.
Net asset value for common shares is calculated as follows:

NAV = (TA – IA) – TL – PS, where

TA – total assets as per the issuer's statement of financial position at calculation date;
IA – intangible assets as per the issuer's statement of financial position at calculation date;
TL – total liabilities as per the issuer's statement of financial position at calculation date;
PS – preferred stock as per the issuer's statement of financial position at calculation date.

At the end of the reporting period book value per common share was:

(in KZT thousands, unless stated otherwise)	**31 December 2014**	**31 December 2013**
Assets	518 562 645	222 773 479
Intangible assets	(246 465)	(267 354)
Liabilities	(462 272 008)	(206 422 506)
Share capital, preference shares	(4 500 000)	(4 500 000)
Net assets for ordinary shares	**51 544 172**	**11 583 619**
Number of ordinary shares	3 000 000	1 000 000
Book value of an ordinary share, KZT	**17 181**	**11 584**

Book value per preference share

BVpsi= (EPS + DCpsi)/NOpsi, where

BVpsi - book value per preference share of the first group at calculation date;

NOpsi - number of outstanding preference shares of the first group at calculation date;

EPC - equity with prior claims at calculation date;

DCpsi - debt component of preference shares of the first group.

Equity with prior claims is calculated as follows:

EPC = TDPS1 + PS, where

TDpsi - total dividends accrued but unpaid on preference shares of the first group (balance of *Settlements with Shareholders (Dividends)*) at calculation date.

At the end of the reporting period book value per preference share was:

(in KZT thousands, unless stated otherwise)	**31 December 2014**	**31 December 2013**
Authorised capital, preference shares	4 500 000	4 500 000
Capital attributable to holders of preference shares	**4 500 000**	**4 500 000**
Number of preference shares	450 000	450 000
Book value of a preference share, KZT	**10 000**	**10 000**

16. Earnings per Share (continued)

Calculation of basic earnings per share belonging to the shareholders is as follows:

(in KZT thousands, unless stated otherwise)	31 December 2014	31 December 2013
Profit for the year	**2 486 285**	**1 521 039**
Less dividends to be paid to holders of preference shares in case of full distribution of profits	423 000	306 000
Net profit attributable to holders of ordinary shares	2 063 285	1 215 039
Weighted average number of ordinary shares to calculate basic and diluted earnings per share	2 362 308	1 000 000
Basic and diluted earnings per share to calculate profit attributable to the Bank shareholders (KZT per share)	873	1 215

17. Interest Income and Expense

(in KZT thousands)	2014	2013
Interest income		
Loans and advances to customers	30 876 171	14 280 235
Financial assets available for sale	1 961 403	1 337 053
Reverse REPO transaction	233 743	58 675
Correspondent accounts with other banks	1 897	6 187
Due from other banks	72 527	43 359
Total interest income	**33 145 741**	**15 725 509**
Interest expense		
Loans from entities performing selected banking activities	45 070	-
Bank deposits	137 203	-
Term deposits	16 334 403	6 959 374
REPO transactions	480 786	85 188
Debt securities issued	819 478	317 977
Subordinated debt	532 602	192 295
Other interest expenses	100 180	-
Total interest expense	**18 449 722**	**7 554 834**
Net interest income	**14 696 019**	**8 170 675**

18. Fee and Commission Income and Expense

(in KZT thousands)	2014 г.	2013 г.
Fee and commission income		
- Cash transactions	693 169	386 175
- Transactions on sale and purchase of foreign currency	353 849	205 978
- Settlement transactions	205 576	125 972
- Guarantees issued	881 753	652 407
- Other	219 188	90 503
Total fee and commission income	**2 353 535**	**1 461 035**
Fee and commission expense		
- Settlement transactions	73 653	32 464
- Agent's services	2 575	6 279
- Sale and purchase of securities	27 982	19 441
- Other	65 736	21 965
Total fee and commission expense	**169 946**	**80 149**
Net fee and commission income	**2 183 589**	**1 380 886**

19. Net Income from Foreign Currency Transactions

(in KZT thousands)	2014	2013
Net dealing operations	964 001	406 086
Net exchange differences	(87 165)	37 919
Total	**876 836**	**444 005**

20. Net Income from Financial Assets Available for Sale

(in KZT thousands)	2014	2013
Kazakhstan government securities	549	567
Other securities	18 984	76 010
Total	**19 533**	**76 577**

21. Administrative and Other Operating Expenses

(in KZT thousands)	2014	2013
Personnel expenses	3 834 278	2 591 980
Advertising and marketing services	987 376	570 648
Depreciation and amortization	561 491	337 319
Taxes other than income taxes	393 103	170 671
Operating lease expenses	359 758	239 959
Contributions to the Deposits Guarantee Fund	347 009	186 647
Security expenses	344 745	203 168
Professional services	221 200	151 447
Expenditures for PP&E repairs and maintenance	112 038	46 461
Expenditures on maintenance of leased and administrative buildings	86 612	52 842
Business trip expenses	80 087	31 625
Communication service	72 315	44 136
Expenses to ensure plastic card settlements	71 108	-
Transportation costs	66 535	52 659
Consumables and stationery	44 800	15 777
Entertainment expenses	9 354	6 215
Trainings of employees	6 089	3 593
Other	434 505	239 678
Total administrative and other operating expenses	**8 032 403**	**4 944 825**

22. Income Tax Expense

(in KZT thousands)	2014	2013
Current income tax expenses		
Current tax payable	411 409	182 139
Income tax overpaid in previous periods	(49 049)	-
	362 360	**182 139**
Deferred income tax expenses		
Origination and reversal of temporary differences	45 130	4 043
Total income tax expense	**407 490**	**186 182**

22. Income Tax Expense (continued)

Tax rate applied to current and deferred taxes is 20% (2013: 20%).

Reconciliation of effective tax rate

(in KZT thousands)	2014	%	2013	%
Profit before tax	2 893 775	100,00	1 707 221	100,00
Income tax at current tax rate	578 755	20,00	341 444	20,00
Non-taxable income from securities	(332 044)	(11,47)	(228 880)	(13,41)
Income tax overpaid in previous periods	(49 049)	(1,69)	-	-
Non-deductible expenses	209 828	7,25	73 618	4,31
Income tax expenses	**407 490**	**14,08%**	**186 182**	**10,91%**

Deferred Tax Assets and Liabilities

The Bank calculates income tax for the current period on the basis of tax accounting maintained in accordance with the requirements of Tax legislation of the Republic of Kazakhstan where the Bank operates, which may differ from IFRS.

Certain permanent tax differences arise because some expenses are not accounted for tax purposes, and there is non-taxable income.

Deferred tax reflects the tax effect from temporary differences between the carrying amount of assets and liabilities for financial statements purpose, and the amount determined for tax purposes. Temporary differences as at 31 December 2014 and 2013 are mainly related to various methods of income and expense accounting, as well as to the carrying amount of some assets.

Movement of temporary differences for the years ended 31 December 2014 and 31 December 2013 is presented below:

(in KZT thousands)	2013	Reported in the statement of profit and loss	Reported as part of OCI	2014
Accrued commission on loans to customers	14 380	(14 380)	-	-
Provision for employee leaves	29 140	18 340	-	47 480
Accrued but unpaid interest expenses	83 870	(56 283)	-	27 587
Other financial liabilities	1 255	4 082	-	5 337
Deferred tax assets	**128 645**	**(48 241)**	-	**80 404**
PP&E and intangible assets	(93 747)	(100 145)	(4 568 076)	(4 761 968)
SWAP revaluation	-	(24 356)	-	(24 356)
Dynamic provisioning	(127 612)	127 612	-	-
Deferred tax liabilities	**(221 359)**	**3 111**	**(4 568 076)**	**(4 786 324)**
Total deferred liabilities	**(92 714)**	**(45 130)**	**(4 568 076)**	**(4 705 920)**

22. Income Tax Expense (continued)

Movement of temporary differences for the years ended 31 December 2013 and 31 December 2012 (continued)

(in thousands of Tenge)	2012	Recognised in profit or loss	Recognised in other comprehensive income	2013
Accrued commission income on loans to customers	30 174	(15 794)	-	14 380
Vacation reserve	10 856	18 284	-	29 140
Accrued and unpaid interest expense	-	83 870		83 870
Other financial liabilities	139	1 116	-	1 255
Deferred tax assets	**41 169**	**87 476**	-	**128 645**
Fixed and intangible assets	(110 403)	16 656	-	(93 747)
Revaluation of financial assets available-for-sale	(29 142)	-	29 142	-
Provision for impairment of loan portfolio and guarantees	(19 437)	19 437	-	-
Dynamic reserve	-	(127 612)	-	(127 612)
Deferred tax liabilities	**(158 982)**	**(91 519)**	**29 142**	**(221 359)**
Total deferred liabilities	**(117 813)**	**(4 043)**	**29 142**	**(92 714)**

23. Segment Analysis

The main format for segment reporting of the Bank is to provide information on operating segments.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the operating decision makers and for which discrete financial information is available. Operating decision maker is a person or group of persons who allocate resources and assess the performance for the entity.

Functions of the operating decision maker are performed by the Bank's Board. The Board regularly uses IFRS-based financial information to make operating decisions and allocate resources.

Products and services as the source of income for each reportable segment
The Bank's operations are organised in three major business segments:

Corporate banking, being direct debit instruments, current accounts, deposits, overdrafts, loans and other lending instruments, currency and derivative products.

Retail banking, being private bank services, private current customer accounts, savings, deposits and consumer loans.

Investment activities on assets and liabilities required to maintain liquidity, the Bank's financing requirements, management of asset and liability.

23. Segment Analysis (continued)

The table below presents segment information by reportable segment assets for the year ended 31 December 2014:

(in KZT thousands)	Corporate banking	Private banking services	Investment banking	Total
Assets				
Due from other banks	12 982 833	1 368 567	-	14 351 400
Loans and advances to customers	287 719 425	77 352 746	-	365 072 171
Financial assets available for sale	-	-	43 823 652	43 823 652
Other financial assets	152 239	69 168	210 985	432 392
Total segment assets	**300 854 497**	**78 790 481**	**44 034 637**	**423 679 615**
Liabilities				
Customer accounts	267 830 819	102 368 335	-	370 199 154
Payables to banks	-	-	12 078 454	12 078 454
Loans from banks and financial institutions	14 021 848	-	-	14 021 848
Issued debt securities	-	-	52 162 016	52 162 016
Subordinated debt	-	-	8 119 451	8 119 451
Other financial liabilities	476 420	20 824	25 262	522 506
Total segment liabilities	**282 329 087**	**102 389 159**	**72 385 183**	**457 103 429**

The table below presents segment information by reportable segment assets for the year ended 31 December 2013:

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Total
Assets				
Due from other banks	-	-	470 298	470 298
Loans and advances to customers	114 820 115	28 426 604	-	143 246 719
Financial assets available for sale	-	-	46 110 289	46 110 289
Other financial assets	76 228	54 295	100 030	230 553
Total segment assets	**114 896 343**	**28 480 899**	**46 680 617**	**190 057 859**
Liabilities				
Customer accounts	160 076 369	33 845 045	-	193 921 414
Bank accounts	40	-	-	40
Issued debt securities		-	7 055 362	7 055 362
Subordinated debt securities	-	-	5 036 377	5 036 377
Other financial liabilities	83 789	(658)	-	83 131
Total segment liabilities	**160 160 198**	**33 844 387**	**12 091 739**	**206 096 324**

23. Segment Analysis (continued)

The table below presents segment information by performance ratios for the year ended 31 December 2014.

The Bank has the transfer pricing system, where each business segment either receives transfer income or incurs transfer expense (depending on excess or deficit of resources to finance their active operations) based on predetermined tariffs by currency and timing.

The system provides the Bank with a fair view of interest margin allocation for all operations and allows to determine the profit-earning capacity of each business segment.

(in KZT thousands)	Corporate banking	Private banking services	Investment banking	Elimination	Total
Interest income	23 601 620	7 274 551	2 269 570	-	33 145 741
Interest expense	(11 267 162)	(3 914 258)	(3 268 302)	-	(18 449 722)
Internal interest income / expense	2 390 060	99 270	(2 489 330)	-	-
Net interest income	**14 724 518**	**3 459 563**	**(3 488 062)**	**-**	**14 696 019**
Net creation of provision for loan impairment	(5 698 410)	(781 184)	-	-	(6 479 594)
Net interest income after provision for loan impairment	**9 026 108**	**2 678 379**	**(3 488 062)**	**-**	**8 216 425**
Fee and commission income from reportable segments	2 103 244	250 291	-	-	2 353 535
Fee and commission expense from reportable segments	(76 725)	(42 289)	(50 932)	-	(169 946)
Gains from trading in foreign currencies	475 299	401 537	-	-	876 836
Net (loss)/income from transactions with other financial instruments at fair value through profit or loss	-	-	(527 506)	-	(527 506)
Loss from operations with financial assets available for sale	-	-	19 533	-	19 533
Segment result	**11 527 926**	**3 287 918**	**(4 046 967)**	**-**	**10 768 877**

23. Segment Analysis (continued)

The table below presents segment information by performance ratios for the year ended 31 December 2013:

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Elimination	Total
Interest income	11 710 777	2 569 457	1 445 275	-	15 725 509
Interest expense	(5 070 903)	(1 888 242)	(595 689)	-	(7 554 834)
Internal interest income / expense	1 098 414	771 923	(28 134)	(1 842 203)	-
Net interest income	**7 738 288**	**1 453 138**	**821 452**	**(1 842 203)**	**8 170 675**
Recovery of/(provision for) loan impairment	(3 236 441)	(387 632)	-	-	(3 624 073)
Net interest income after provision for loan portfolio impairment	**4 501 847**	**1 065 506**	**821 452**	**(1 842 203)**	**4 546 602**
Fee and commission income from reportable segments	1 363 732	97 303		-	1 461 035
Fee and commission expense from reportable segments	(36 896)	(11 562)	(31 691)	-	(80 149)
Gains less losses from trading in foreign currencies	327 647	114 407	1 951	-	444 005
Income from financial assets available for sale	-	-	76 577	-	76 577
Segment result	**6 156 330**	**1 265 654**	**868 289**	**(1 842 203)**	**6 448 070**

Below is the reconciliation of profit, assets and liabilities of reportable segments:

(in KZT thousands)	31 December 2014	31 December 2013
Total segment assets	**423 679 615**	**190 057 859**
Fixed assets	31 699 403	2 269 292
Cash and cash equivalents	61 996 186	29 973 311
Other assets	1 187 441	473 017
Total assets	**518 562 645**	**222 773 479**
Total segment liabilities	**457 103 429**	**206 096 324**
Deferred tax liability	4 705 920	92 714
Other liabilities	462 659	233 468
Total liabilities	**462 272 008**	**206 422 506**

23. Segment Analysis (continued)

Below is the reconciliation of profit, assets and liabilities of reportable segments (continued):

(in KZT thousands)	31 December 2014	31 December 2013
Total segment result	**10 768 877**	**6 448 070**
Other operating income	284 885	188 517
Administrative and other operating expenses	(8 032 403)	(4 944 825)
Net creation of provisions for impairment of other assets	(127 584)	15 459
Profit before tax	**2 893 775**	**1 707 221**
Income tax expense	(407 490)	(186 182)
Profit for the period	**2 486 285**	**1 521 039**

All of the Bank's income is generated in Kazakhstan. Geographical areas of the Bank's operations are presented in Note 24 to these financial statements based on the physical location of the counterparty, i.e. based on economic risk rather than legal risk of the counterparty.

24. Financial Risk Management

Risk management underlies the banking and is the essential part of the Bank's activities. The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets. The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

The Bank developed the policy and procedures to manage the credit risk, including placing limits on the loan portfolio concentration and establishing credit committees, which actively monitor credit risk of the Bank. Bank's Credit Policy is considered and approved by the Board of Directors.

The Bank controls the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and the limits are subject to an annual or more frequent review.

In addition the Bank has the following concentration limits based on the total amount of finance arrangement of the borrower/group of borrowers:

- limits on the risk concentration;
- limits on collateral concentration;
- limits on industry concentration;
- limits on geographical concentration.

24. Financial Risk Management (continued)

Credit risk (continued). The Bank established several credit committees which are responsible for approving credit limits for borrowers:

- The Board of Directors reviews and approves limits above 5% of the Bank's equity;
- The Management Board reviews and approves limits up to 5% of equity for the products within the limits approved by the Board of Directors;
- The Credit Committees of the Bank review and approve credit limits below 5% of equity for the products within the limits approved by the Board of Directors.

Credit risk is also managed through the use of scoring models and procedures used when granting loans.

Credit risk exposure is monitored through a regular analysis of the reports using the following criteria:

- customer's business and financial performance;
- compliance with intended use of the credit product;
- adequacy of collateral, and
- deteriorating creditworthiness.

The Management Board regularly tracks the level of credit risk by analyzing the management accounts. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

In the light of current economic environment, the Bank reviews the fair values of all collaterals on the market twice a year.

Market risk. The Bank is exposed to market risks. Market risks arise from open positions in (a) currency, (b) interest bearing instruments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. The Bank carries out stress testing of the market risk sensitivity on a monthly basis, which allows to prevent losses exceeding the established limits in case of more significant changes in the market.

Currency risk. Currency risk is a risk of expenses (losses) resulting from change of exchange rates in the normal course of the Bank's operation. The risk of expenses (losses) arises due to revaluation of the Bank's positions by currencies in value terms. The Bank has assets and liabilities in different foreign currencies. Currency risk arises when existing or expected assets in some currency exceed or less than existing or expected liabilities in the same currency.

The Bank manages the currency risk by placing limits on open currency positions of financial instruments, maturities and types of currencies, which are controlled on the regular basis, reconsidered and approved by the authorized body of the Bank.

24. Financial Risk Management (continued)

The Bank is controlling compliance with the established limits on currencies on a daily basis. The table below shows a general analysis of the Bank's currency risk as at 31 December 2014:

(in KZT thousands)	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Effect of derivatives held for risk management	Net position
Tenge	288 322 655	(226 649 076)	61 673 579	-	61 673 579
US Dollars	194 173 599	(227 121 174)	(32 947 575)	32 604 180	(343 395)
Euros	1 067 535	(1 221 590)	(154 055)	-	(154 055)
Russian Roubles	2 088 297	(2 089 285)	(988)	-	(988)
Pound Sterling	13 216	(20 019)	(6 803)	-	(6 803)
Other	10 499	(2 285)	8 214	-	8 214
Total	**485 675 801**	**(457 103 429)**	**28 572 372**	**32 604 180**	**61 176 552**

The table below shows a general analysis of the Bank's currency risk as at 31 December 2013:

(in KZT thousands)	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Effect of derivatives held for risk management	Net position
Tenge	181 465 654	(167 769 458)	13 696 196	-	13 696 196
US Dollars	37 433 925	(37 240 293)	193 632	-	193 632
Euros	982 550	(956 973)	25 577	-	25 577
Russian Roubles	121 123	(121 938)	(815)	-	(815)
Pound Sterling	27 798	(7 662)	20 136	-	20 136
Other	707	-	707	-	707
Total	**220 031 757**	**(206 096 324)**	**13 935 433**	**-**	**13 935 433**

The table below shows changes in financial performance and own funds resulting from possible changes in exchange rates used as at the reporting date, herewith, all other variables remain unchanged:

(in KZT thousands)	31 December 2014	31 December 2013
5% strengthening of USD	(13 736)	7 746
5% weakening of USD	13 736	(7 746)
15% strengthening of EUR	(18 487)	3 069
15% weakening of EUR	18 487	(3 069)
15% strengthening of RUB	(119)	(98)
15% weakening of RUB	119	98
Total effect of strengthening	**(32 342)**	**10 717**
Total effect of weakening	**32 342**	**(10 717)**

Interest rate risk. The Bank takes on exposure 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 reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken and controls their maintenance on a regular basis.

The Bank applies gap analysis for interest rate risk management. The Bank combines financial assets and financial liabilities into periods of maturity or contractual repricing, whichever occurs earlier, and identifies the gap. The positive gap implies that increase in interest rates for this particular maturity would lead to increase of net interest income (decrease of interest rates would lead to decrease of net interest income).

24. Financial Risk Management (continued)

The negative gap implies that increase in interest rates for this particular maturity would lead to decrease of net interest income (decrease of interest rates would lead to increase of net interest income).

When interest rates are expected to increase the Bank increases maturity of borrowings; reduces fixed rate loans; reduces maturity of investment portfolio; disposes of securities; and recalls credit lines.

When interest rates are expected to decrease the Bank decreases maturity of borrowings; increases share of fixed rate loans; invests in securities with longer maturity; and extends credit lines.

Also the Bank monitors interest rates for the similar instruments at the market and evaluates probable exposures on weekly basis.

The Banks monitors interest rates for the financial instruments. The table below summarises interest rates based on reports reviewed by the Bank's key management personnel:

	31 December 2014		
In % p.a.	**KZT**	**USD**	**Other**
Assets			
Cash and cash equivalents	-	0,01%	0,10%
Loans and advances to customers	14,27%	11,09%	8,69%
Financial assets available for sale	5,50%	3,85%	0,00%
Liabilities			
Customer accounts	7,89%	5,22%	2,00%
- term deposits of legal entities	7,51%	4,55%	2,98%
- term deposits of individuals	9,81%	5,85%	1,86%

	31 December 2013		
In % p.a.	**KZT**	**USD**	**Other**
Assets			
Cash and cash equivalents	-	0,11%	0,21%
Loans and advances to customers	14,38%	13,69%	5,05%
Financial assets available for sale	3,83%	3,24%	2,37%
Liabilities			
Customer accounts	6,50%	5,40%	2,50%
- term deposits of legal entities	6,00%	2,50%	2,20%
- term deposits of individuals	9,40%	6,50%	2,70%

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

24. Financial Risk Management (continued)

Geographic risk concentrations. The geographic concentration of the Bank's financial assets and liabilities at 31 December 2014 is set out below:

(in KZT thousands)	Kazakhstan	OECD	Other	Total
Financial assets				
Cash and cash equivalents	55 385 061	4 479 762	2 131 363	61 996 186
Due from other banks	14 351 400	-	-	14 351 400
Loans and advances to customers	365 071 222	949	-	365 072 171
Financial assets available for sale	37 417 156	1 622 967	4 783 529	43 823 652
Other financial assets	432 392		-	432 392
Total financial assets	**472 657 231**	**6 103 678**	**6 914 892**	**485 675 801**
Financial liabilities				
Customer accounts	341 276 293	28 364 012	558 849	370 199 154
Payables to banks	12 078 454	-	-	12 078 454
Loans from other banks and organizations	14 021 848	-	-	14 021 848
Issued debt securities	52 162 016	-	-	52 162 016
Subordinated debt	8 119 451	-	-	8 119 451
Other financial liabilities	424 873	1 411	96 222	522 506
Total financial liabilities	**428 082 935**	**28 365 423**	**655 071**	**457 103 429**
Net balance sheet item	**44 574 296**	**(22 261 745)**	**6 259 821**	**28 572 372**
Credit related commitments	**63 240 668**	**-**	**-**	**63 240 668**

Geographic risk concentrations. The geographic concentration of the Bank's financial assets and liabilities at 31 December 2013 is set out below:

(in KZT thousands)	Kazakhstan	OECD	Other	Total
Financial assets				
Cash and cash equivalents	19 557 809	4 135 598	6 279 904	29 973 311
Due from other banks	470 298	-	-	470 298
Loans and advances to customers	143 246 719	-	-	143 246 719
Financial assets available for sale	39 473 908	473 309	6 163 072	46 110 289
Other financial assets	230 553	-	-	230 553
Total financial assets	**202 979 287**	**4 608 907**	**12 442 976**	**220 031 170**
Financial liabilities				
Customer accounts	193 739 154	117 763	64 497	193 921 414
Payables to banks	40	-	-	40
Issued debt securities	7 055 362	-	-	7 055 362
Subordinated debt	5 036 377	-	-	5 036 377
Other financial liabilities	83 131	-	-	83 131
Total financial liabilities	**205 914 064**	**117 763**	**64 497**	**206 096 324**
Net balance sheet item	**(2 934 777)**	**4 491 144**	**12 378 479**	**13 934 846**
Credit related commitments	**24 761 630**	**-**	**-**	**24 761 630**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand and fixed assets have been allocated based on the country in which they are physically held.

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10 percent of equity, industry concentration, geographical concentration, etc.

24. Financial Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a diversified and stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits, debt securities issued and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with 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 by the Treasury Department, and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury and Risk Departments.

The Bank also calculates statutory liquidity ratios on a daily basis in accordance with the Republic of Kazakhstan National Bank. As at 31 December 2014 and 31 December 2013 the Bank's liquidity ratios were in compliance with the statutory requirements.

The table below shows liabilities at 31 December 2014 and 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the balance sheet because the amounts are based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

24. Financial Risk Management (continued)

The maturity analysis of financial instruments in accordance with contract terms at 31 December 2014 is as follows:

(in KZT thousands)	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	94 712 816	43 666 068	173 692 092	57 847 483	280 695	370 199 154
Paybales to banks	137 454	-	11 941 000	-	-	12 078 454
Loans from other banks and organizations	-	9 889	16 889	-	13 995 070	14 021 848
Issued debt securities	-	-	239 989	9 542 909	42 379 118	52 162 016
Subordinated debt	-	-	108 166	-	8 011 285	8 119 451
Other financial liabilities	522 506	-	-	-	-	522 506
Total financial liabilities	**95 372 776**	**43 675 957**	**185 998 136**	**67 390 392**	**64 666 168**	**457 103 429**
Undrawn credit lines	63 240 668	-	-	-	-	63 240 668
Guarantees issued	1 377 243	975 921	7 476 679	17 801 098	-	27 630 941
Total credit related commitments	**64 617 911**	**975 921**	**7 476 679**	**17 801 098**	**-**	**90 871 609**

The maturity analysis of financial instruments in accordance with contract terms at 31 December 2013 is as follows:

(in KZT thousands)	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	79 022 766	16 758 705	56 688 449	41 306 307	145 187	193 921 414
Paybales to banks	40	-	-	-	-	40
Issued debt securities	-	-	89 836	6 965 526	-	7 055 362
Subordinated debt	-	-	75 950	-	4 960 427	5 036 377
Other financial liabilities	83 131	-	-	-	-	83 131
Total financial liabilities	**79 105 937**	**16 758 705**	**56 854 235**	**48 271 833**	**5 105 614**	**206 096 324**
Undrawn credit lines	24 761 630	-	-	-	-	24 761 630
Guarantees issued	5 662 915	613 499	6 465 949	13 241 455	-	25 983 818
Total credit related commitments	**30 424 545**	**613 499**	**6 465 949**	**13 241 455**	**-**	**50 745 448**

ДЛЯ АУДИТОРСКИХ ОТЧЁТОВ BDO

24. Financial Risk Management (continued)

The management believes that diversification of fixed term customer deposits by timing, number and type of depositors, fiscal measures to prevent early withdrawals, such as a partial loss of interest accrued, as well as the Bank's past experience indicate that fixed term deposits ensure a long-term ans sustainable source of funding.

The management believes that cash flows from certain assets and liabilities may differ from contractual cash flows either because the management is authorised to manage cash flows or because the past experience shows that timing of cash flows from these financial assets and liabilities may differ from contractual cash flows.

For liquidity management purposes, the management relies on the liquidity reports prepared based on expected repayment of the assets and liabilities.

The Bank controls liquidity risk through the gap analysis between financial assets and liabilities by expected terms till maturity, which are presented in the table below as at 31 December 2014:

(in KZT thousands)	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Cash and cash equivalents	61 996 186	-	-	-	-	61 996 186
Due from other banks	8 187 970	-	6 163 430	-	-	14 351 400
Loans and advances to customers	20 955 448	17 281 207	171 221 681	130 351 003	25 262 832	365 072 171
Financial assets available for sale	43 823 652	-	-	-	-	43 823 652
Other financial assets	432 392	-	-	-	-	432 392
Total financial assets	**135 395 648**	**17 281 207**	**177 385 111**	**130 351 003**	**25 262 832**	**485 675 801**
Customer accounts	94 712 816	43 666 068	173 692 092	57 847 483	280 695	370 199 154
Paybales to banks	137 454	-	11 941 000	-	-	12 078 454
Loans from other banks and organizations	-	9 889	16 889	-	13 995 070	14 021 848
Issued debt securities	-	-	239 989	9 542 909	42 379 118	52 162 016
Subordinated debt	-	-	108 166	-	8 011 285	8 119 451
Other financial liabilities	522 506	-	-	-	-	522 506
Total financial liabilities	**95 372 776**	**43 675 957**	**185 998 136**	**67 390 392**	**64 666 168**	**457 103 429**
Net gap at 30 June 2014	**40 022 872**	**(26 394 750)**	**(8 613 025)**	**62 960 611**	**(39 403 336)**	**28 572 372**
Cumulative gap at 30 June 2014	**40 022 872**	**13 628 122**	**5 015 097**	**67 975 708**	**28 572 372**	**28 572 372**

BDO
ДЛЯ АУДИТОРСКИХ ОТЧЁТОВ

24. Financial Risk Management (continued)

The analysis by expected maturities may be summarised as follows at 31 December 2013:

(in KZT thousands)	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Cash and cash equivalents	29 973 311	-	-	-	-	29 973 311
Due from other banks	470 298	-	-	-	-	470 298
Loans and advances to customers	17 569 341	21 908 970	59 290 243	35 811 656	8 666 509	143 246 719
Financial assets available for sale	46 110 289	-	-	-	-	46 110 289
Other financial assets	128 678	23	708	1 104	100 040	230 553
Total financial assets	**94 251 917**	**21 908 993**	**59 290 951**	**35 812 760**	**8 766 549**	**220 031 170**
Customer accounts	79 022 766	16 758 705	56 688 449	41 306 307	145 187	193 921 414
Paybales to banks	40	-	-	-	-	40
Issued debt securities	-	-	89 836	6 965 526	-	7 055 362
Subordinated debt	-	-	75 950	-	4 960 427	5 036 377
Other financial liabilities	83 131	-	-	-	-	83 131
Total financial liabilities	**79 105 937**	**16 758 705**	**56 854 235**	**48 271 833**	**5 105 614**	**206 096 324**
Net gap at 31 December 2013	**15 145 980**	**5 150 288**	**2 436 716**	**(12 459 073)**	**3 660 935**	**13 934 846**
Cumulative gap at 31 December 2013	**15 145 980**	**20 296 268**	**22 732 984**	**10 273 911**	**13 934 846**	**13 934 846**

The management believes that match and/or controlled mismatch (gap) of maturities of financial assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Establishment by the Bank of limits on liquidity gap allows to manage liquidity risk. Risk Management Division regularly monitors for compliance with liquidity gap limits.

24. Financial Risk Management (continued)

Operating risk. The Bank is exposed to operating risk which is the risk of losses resulting from irregularities or errors in the course of internal processes committed by employees, caused by information system and technology malfunctioning as well as by external circumstances. Currently, for the Bank's effective operation purposes the following operating risk identification and measurement instruments are used which are based on the best world practices:

- Corporate Loss Database (CLD);
- Risk Self - Assessment (RSA);
- Operational Risk Assessment Process (ORAP);
- Key Risk Indicator (KRI)

Operating risk management instruments enable the Bank to identify the activities that are likely to be exposed to operating risk, assess and monitor the Bank's losses resulting from operating risks as well as to establish appropriate controls and design preventive measures to mitigate the risk.

25. Capital Management

The Bank actively manages its capital adequacy to cover the risks inherent to its operations. The capital adequacy is controlled by the Republic of Kazakhstan National Bank.

The key objective of the capital management is to ensure the Bank's compliance with external capital requirements and maintain a high credit rating and capital adequacy ratios necessary to realise and maximise the shareholder value.

The Bank manages its capital structure and adjusts it to reflect changes in economic circumstances and risk characteristics of its activities. In 2014 the Board of Directors approved capital management policy, new forms of reporting on capital structure, adequacy, effect of risks on capital.

Under the current capital requirements set by the Republic of Kazakhstan National Bank (NBRK), banks have to maintain:

- a ratio of Tier 1 capital (net of investments) to total assets (net of investments) (k1.1);
- a ratio of Tier 1 capital (net of investments) to assets and contingent liabilities weighted with due account for credit and market risks and quantitative measure of operating risk (k1.2);

a ratio of total capital to assets and contingent liabilities weighted with due account for credit and market risks and quantitative measure of operating risk (k2).

As at 31 December 2014 the Bank was in compliance with the NBRK requirements to follow prudential standards. As at 31 December 2014 the Bank's ratios were as follows: k1.1 – 6.9% (2013: 6.6%), k1.2 – 8.4% (2013: 8.7%), k2 – 15% (2013: 12.7%)

26. Contingencies and Commitments

Legal proceedings

The Bank is potentially subject to legal proceedings with respect to its business operations. The management believes that legal proceedings, if any, will not cause the Bank any material losses, accordingly no provision for losses resulting from legal proceedings was formed.

Contingent tax liabilities

Kazakhstani tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

26. Contingencies and Commitments (continued)

The Kazakhstan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to inspections by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The outcome of such tax inspections may not be reliably estimated; however, they may be material for the financial position and/or the entity's operations as a whole.

The management believes that tax liabilities were recognised in the financial statements in full based on the management's interpretation of the current Kazakhstan tax laws and official comments on regulatory documents.

Credit related commitments

The Bank has advance commitments. The Bank provides financial guarantees and arranges letters of credit as security for obligations of its customers to the third parties.

When providing contingent liabilities, financial guarantees and letters of credit the Bank applies the same risk management policies and procedures as to provision of loans to customers.

Advance commitments include the undrawn commitment amount authorised by the Bank for providing loans, guarantees or letters of credit. The Bank's advance commitments expose it to the risk of loss equivalent to the total undrawn commitments.

However, the exposure is less than the total amount of advance commitments, as the major part of advance commitments depends on the customers' compliance with certain solvency requirements.

The Bank monitors the remaining maturities of credit related commitments as generally long-term commitments have a higher level of credit risk than short-term commitments.

Credit related commitments are as follows:

(in KZT thousands)	**31 December 2014**	**31 December 2013**
Undrawn credit lines	63 240 668	24 761 630
including cash-secured	534 332	60 883
Guarantees issued	27 630 941	25 983 818
including cash-secured	19 720 715	6 140 606
Total credit related commitments	**90 871 609**	**50 745 448**

Total highly liquid collateral provided for guarantees as at 31 December 2014 amounted to KZT 7,870,390 thousand. Many of the above commitments may be terminated without a partial or full discharge. Therefore, the above commitments are not expected to result in a cash outflow.

As at 31 December 2014 and 2013 the Bank had no customers with off-balance sheet liabilities exceeding 10% of the total off-balance sheet liabilities.

27. Operating Lease

Operating lease liabilities that cannot be cancelled unilaterally as at 31 December were as follows:

(in KZT thousands)	31 December 2014	31 December 2013
Less than 1 year	411 328	217 218
1 - 5 years	963 817	580 771
Total lease liabilities	**1 375 145**	**797 989**

The Bank entered into a number of premises operating lease agreements. Such agreements are normally signed for initial term from 1 to 5 years with an option of renewal upon expiration thereof. Lease payments are usually increased annually, which reflects market trends. Operating lease liabilities do not include contingencies.

28. Fair Value and Accounting Classifications of Financial Instruments

Below is the information on carrying amount and fair value of financial assets and liabilities as at 31 December 2014 and 31 December 2013:

(in KZT thousands)	Loans and receivables	Available-for-sale	Other, carried at amortized cost	Carrying amount	Fair value
Assets					
Cash and cash equivalents	61 996 186	-	-	61 996 186	61 996 186
Due from other banks	14 351 400	-	-	14 351 400	14 351 400
Loans and advances to customers	365 072 171	-	-	365 072 171	365 364 624
Financial assets available for sale	-	43 823 652	-	43 823 652	43 823 652
Other financial assets	432 392	-	-	432 392	432 392
Total assets	**441 852 149**	**43 823 652**	-	**485 675 801**	**485 968 254**
Liabilities					
Customer accounts	-	-	370 199 154	370 199 154	370 199 154
Paybales to banks	-	-	12 078 454	12 078 454	12 078 454
Loans from banks and financial institutions	-	-	14 021 848	14 021 848	14 026 778
Issued debt securities	-	-	52 162 016	52 162 016	52 215 791
Subordinated debt	-	-	8 119 451	8 119 451	8 121 035
Other financial liabilities	-	-	522 506	522 506	522 506
Total liabilities	-	-	**457 103 429**	**457 103 429**	**457 163 718**

28. Fair Value and Accounting Classifications of Financial Instruments (continued)

(in KZT thousands)	Loans and receivables	Available-for-sale	Other, carried at amortized cost	Carrying amount	Fair value
Assets					
Cash and cash equivalents	29 973 311	-	-	29 973 311	29 973 311
Due from other banks	470 298	-	-	470 298	470 298
Loans and advances to customers	143 246 719	-	-	143 246 719	143 484 939
Financial assets available for sale	-	46 110 289	-	46 110 289	46 110 289
Other financial assets	130 523	-	100 030	230 553	230 553
Total assets	**173 820 851**	**46 110 289**	**100 030**	**220 031 170**	**220 269 390**
Liabilities					
Customer accounts	-	-	193 921 414	193 921 414	193 921 414
Paybales to banks	-	-	40	40	40
Issued debt securities	-	-	7 055 362	7 055 362	7 059 836
Subordinated debt	-	-	5 036 377	5 036 377	5 038 180
Other financial liabilities	-	-	83 131	83 131	83 131
Total liabilities	**-**	**-**	**206 096 324**	**206 096 324**	**206 102 601**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets.

Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information and judgements in estimating the fair value of financial instruments.

28. Fair Value and Accounting Classifications of Financial Instruments (continued)

Below are the levels of fair value hierarchy for financial instruments carried at fair value:

(in KZT thousands)	31 December 2014 Active market quotations (Level 1)	31 December 2013 Active market quotations (Level 1)
Investment securities available for sale		
Government securities of the RK Ministry of Finance	32 409 719	34 705 664
NBRK notes	-	1 999 308
Securities of SWF "SAMRUK KAZYNA" JSC	296 440	303 585
Securities of international financial institutions	1 433 295	1 937 845
Foreign securities	3 445 722	1 682 622
Corporate bonds	6 238 476	5 481 265
Total financial assets at fair value	**43 823 652**	**46 110 289**

Methods and assumptions used to determine fair value. Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing knowledgeable parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used various valuation techniques.

Financial instruments carried at fair value. Investment securities available for sale are carried to the balance sheet at their fair value. Fair values were determined based on quoted market prices.

Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Customer accounts. Customer accounts are carried at amortised cost. Fair values are determined based on average market rates.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices.

29. Related Party Transactions

Parties are considered to be related if one party is in the position to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

29. Related Party Transactions (continued)

At 31 December 2014 and 31 December 2013, the outstanding balances with related parties were as follows:

(in KZT thousands, unless otherwise stated)	31 December 2014				31 December 2013			
	% rate	Shareholders	Board members	Others	% rate	Shareholders	Board members	Others
Total loans and advances to customers - KZT	11%-17%	223 515	40 486	469 252	8%-21%	223 515	-	1 460 557
Total loans and advances to customers - EUR	5%		16 114		-	-	-	-
Provision for impairment		1 233	303	2 040	-	299		25 990
Customer accounts, current accounts	-	45 871		7 315 771	-	19 895	28 519	306 595
Customer accounts, deposits - KZT	5,5%-10%	15	16	670 732	3%-10%	23 284	28 733	1 740 389
Customer accounts, deposits - USD	4%-7%	214 235	2 495 267	5 763 709	4,5%-7%	18 658	1 763 500	609 300
Customer accounts, deposits - EUR	2%	-	-	60 672	2%	-	-	27 615
Undrawn credit lines in KZT	0,145	-	-	166 667	5%-22%	-	43 467	30 622
Undrawn credit lines in USD	7,5%-22%	-	9 118	27 353	-	-	-	-
Undrawn credit lines in EUR	5%	-	14 909	-	-	-	-	-
Guarantees issued	-	-	-	900 000	-	-	-	-

The income and expense items with related parties for the years ended 31 December 2014 and 31 December 2013 were as follows:

(in KZT thousands)	31 December 2014			31 December 2013		
	Shareholders	Board members	Others	Shareholders	Board members	Others
Interest income	26 818	3 770	61 499	6 631	-	160 967
Interest expense	11 377	141 654	640 339	6 224	100 765	53 408
Commission income	-	-	3 007		-	-
Administrative and other operating expenses, including:	-	203 175	10 498	-	146 059	-
- interest amount	-	203 175	-	-	146 059	-
- buildings and vehicles leased	-	-	10 498	-	-	-

Other related parties as at 31 December 2014 and 2013 were legal entities controlled by the Bank's officers or their close relatives, and individuals who are the Bank's officers or their close relatives.

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

30. Subsequent Events

In the first quarter of 2015, based on the decision of the Board of Directors the Bank increased the share capital by KZT 1,315,000 thousand through placement of 131,5 thousand ordinary shares.