



Annual
report

2013

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APPEAL OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

DEAR LADIES AND GENTLEMEN!



2013 became the anniversary year for our Bank – we celebrated 10-year turn in the development of housing construction saving system in the Republic of Kazakhstan and House Construction Savings Bank of Kazakhstan JSC. Last year became the year of sizing up and assessment of 10-year activity development.

During the ten-year period, House Construction Savings Bank of Kazakhstan JSC managed to achieve positive results, which allowed to characterise the Bank as one of the creditworthy financial institutes.

These years shown that clients of the Bank show great interest in solving housing issues by the means of housing construction saving system and participation in socially meaningful state programs and specialized projects, including Affordable Housing – 2020 Program.

In general, for the development of housing construction market at the territory of the Republic of Kazakhstan and the provision of affordable housing for Kazakhstan's citizens, House Construction Savings Bank of Kazakhstan JSC offers various banking products and services, and increasingly larger number of clients prefer House Construction Savings Bank of Kazakhstan JSC to improve their housing conditions, that founds its reflection in the achievement of the following key indicators:

- quantity of the concluded agreements concerning housing construction saving reach a half of million;
- The Bank is the indisputable leader in the market of long-term deposits;
- Almost 4% of economically active population are participants of housing construction saving system.

The important event for House Construction Savings Bank of Kazakhstan JSC in 2013 became joining to Baiterek National Management Holding JSC. In connection with the change of shareholder, the Bank's main goals were revised, and the direction toward enhancement of activity standards, transparency of the Bank and improvement of the corporate management system was specified.

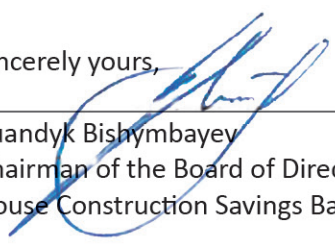
In addition, in order to save and ensure its power in the financial market, House Construction Savings Bank of Kazakhstan JSC tends to offer services, corresponding with quality standards, to increase the access to bank products for each client, to realize events on the introduction of modern informational and banking technologies, to broaden the regional attendance.

Currently, work on the further rise of credit rating and acknowledgement of its achievements by other international agencies, associations and organizations is executing by House Construction Savings Bank of Kazakhstan JSC.

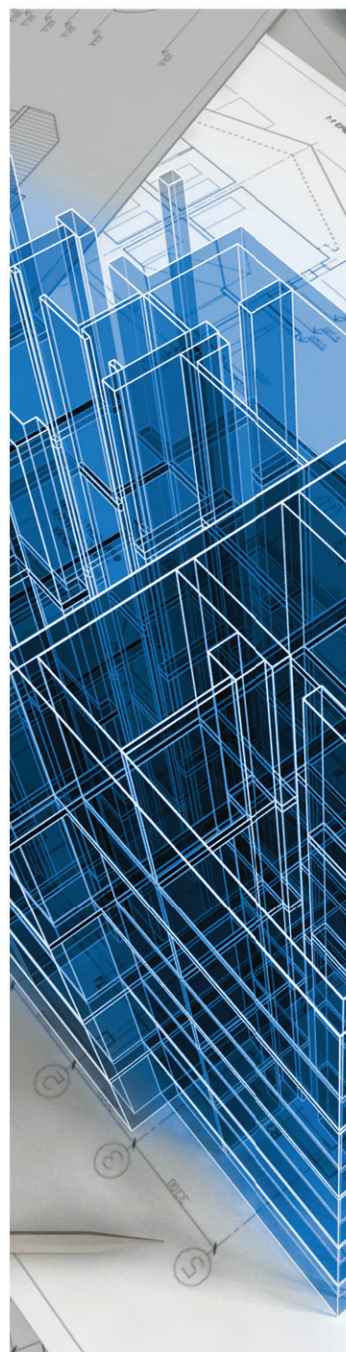
The achieved results of the past decade gives a right to set more ambitious goals and to determine new fields of activity.

We express our thankfulness and appreciation to the Bank's partners and clients for maintaining trust and support toward us. We intend to keep on the improvement of service quality, while attracting modern informational technologies, and also on increase and support at the high level of availability and transparency of the Bank services.

Sincerely yours,



Kuandyk Bishymbayev
Chairman of the Board of Directors of
House Construction Savings Bank of Kazakhstan JSC



APPEAL OF THE CHAIRMAN OF THE MANAGEMENT BOARD OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

DEAR LADIES AND GENTLEMEN, CLIENTS AND PARTNERS!



In 2013, the anniversary year of Kazakh system of housing construction savings, House Construction Savings Bank of Kazakhstan JSC successfully continued the implementation of functions and tasks, charged on it, that visually demonstrates sequential and united operation of the Bank team, aiming the implementation of its mission and visions, for partners, employees and clients of House Construction Savings Bank of Kazakhstan JSC.

Thus, last year, the events, determined toward client service quality improving, affiliated network development and business-process optimization were specified as key goals.

We pay a special attention to our clients and appreciate their contribution in the development of housing construction saving system, as well as in the Bank on the whole.

It is necessary to note that during the 10-year development of housing construction saving system, the Bank managed to change a negative attitude of citizens toward savings on the whole and to affect the formation of a culture of the long-term accumulation, that is evidenced by the achieved key indicators of development.

In 2013, House Construction Savings Bank of Kazakhstan JSC has continued its activity as one of the key operators on the implementation of Affordable Housing – 2020 Program, in the fields: “Housing for all categories of population” and “Housing for young families.” Thus, an active participation of House Construction Savings Bank of Kazakhstan JSC in the implementation of state programs of housing construction also stimulates the sufficient growth of increase of interest from the side of population toward housing construction saving system.

As a result, owing to united and well-organized works of the team of House Construction Savings Bank of Kazakhstan JSC, an achievement of the following proper positions in the market of rendering services in 2013 was provided:

- as for an amount of assets, House Construction Savings Bank of Kazakhstan JSC takes 11th place among second-tier banks;
- as for an amount of equity capital, House Construction Savings Bank of Kazakhstan JSC - 5 place;
- as for the long-term deposits in tenge – 1 place;
- share of House Construction Savings Bank of Kazakhstan JSC in the market of the credits for construction and purchase of housing is 15,2%.

In 2013, the Sole Shareholder of House Construction Savings Bank of Kazakhstan JSC became Baiterek National Management Holding JSC, which set new tasks on further development and ensuring of positions in the market of rendering services.

Thus, already, in the nearest future, it is planned to conduct an active international cooperation concerning the issues on development of housing construction saving system, full attendance in the world society of housing construction saving system, development of new perspective products, and also development of strategic partnership possibilities.

Finally, it is necessary to note that the outcome of 10-year activity of House Construction Savings Bank of Kazakhstan JSC is the indicative of demand and competitiveness of housing construction saving system. While having crossed the Rubicon of its making, House Construction Savings Bank of Kazakhstan JSC, in the future, will be aiming to achieve the strategic goals and tasks, that are set, with the subsequent holding and increasing of its positions in the financial market of Kazakhstan, and also with the possibility to promote principles of housing construction saving system in the market of neighbouring countries.

Best regards,


Aibatyr Zhumagulov

Chairman of the Management Board of
House Construction Savings Bank of Kazakhstan JSC



I. CORPORATE EVENTS SCHEDULE OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC FOR 2013

DURING A YEAR

- Participation in the implementation of Affordable Housing – 2020 Program.
- Bank completion with 107 000 new participants.
- Introduction of amendments and additions by the Bank into internal documents by the Bank concerning the issues of deposit operation execution, consumer loan, fee application, loan restructuring, building project implementation/pool formation.
- 7 customer service centres opening, connected with conclusion of contracts on HCS and cash services for clients.
- Execution of 51 examinations over the activity of head office and branches of the Bank by authorised bodies (Public Prosecutor's Bodies, Accounting Committee for a control over the fulfilment of the Republican Budget, Department on the control over economical and corruption crimes, Committee on Financial Supervision of the National Bank of the Republic of Kazakhstan, Tax Committee etc.).

JANUARY

- Development and affirmation of provisions for crediting on housing loans of new and existing borrowers (introduced from the 1st of March 2013 for new borrowers).

APRIL

- Affirmation of annual financial statement for 2012.
- From 01.04.2013, commissioning of the own Contact-centre.

MAY-AUGUST

- Affirmation of the Certificate on the quality management system concerning the correspondence with ISO 9001:2008

AUGUST

- Transfer of rights and holding of the state block of shares to Baiterek National Management Holding JSC

SEPTEMBER

- Confirmation of Moody's long-term and short-term ratings of the Bank.
- Conduction of the International Conference: «The System of Housing Construction Savings in Kazakhstan – 10 years. Outcomes and Perspectives of Development.»

OCTOBER

- Affirmation of Code of Corporate Conduct for the Management and employees of House Construction Savings Bank of Kazakhstan JSC, in accordance with which, limits for a participation of the Bank's Managements and their family members (spouse, under-age children) are defined in Affordable Housing – 2020 Program.

NOVEMBER

- Decrease of 8 types of fee amounts.
- Approval of housing loan granting for repair and modernization of housing under the guarantee of an individual entity.

DECEMBER

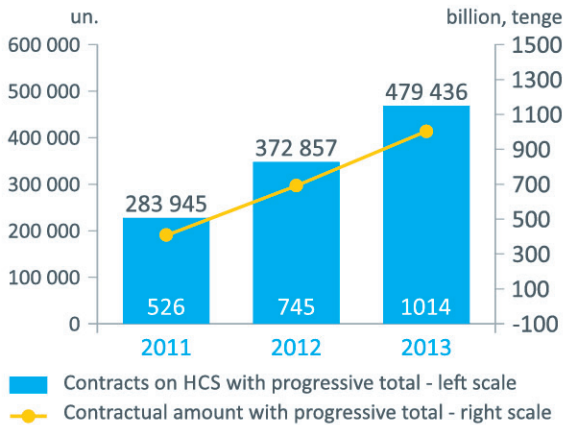
- Approval of a new revision of the Bank's Credit Principles.
- Elimination of 6 types of fees.
- Achievement of contractual price amount more than 1 trillion tenge.

II. MAIN INDICATORS OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC FOR 2013

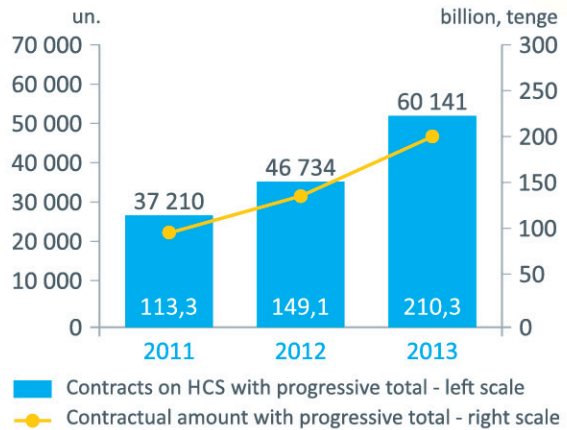
2.1. KEY OUTCOMES OF THE ACTIVITY

MAIN PRODUCT OF THE BANK

Contract on Housing Construction Savings



ISSUED LOANS



REGIONAL NETWORK

17 branches across Kazakhstan and
15 service centres.

AGENCY NETWORK

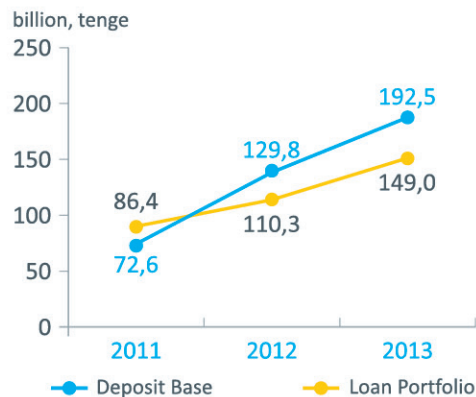
332 agents – individual entities
2 agents – legal entities (Kazpost JSC and Halyk Bank of Kazakhstan)

RATINGS

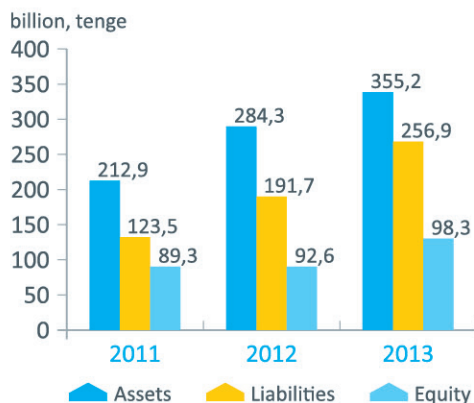
Moody's:

- Long-term rating on deposits in the national currency: Ba1
- Short-term rating on deposits in the national currency: N/P
- Rating of financial stability: E+
- Forecast: stable

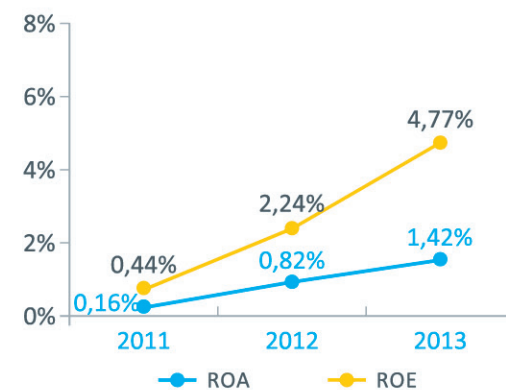
DEPOSIT BASE AND LOAN PORTFOLIO



FINANCIAL INDICATORS

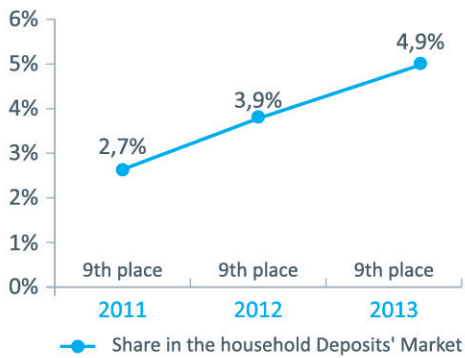


ROE, ROA

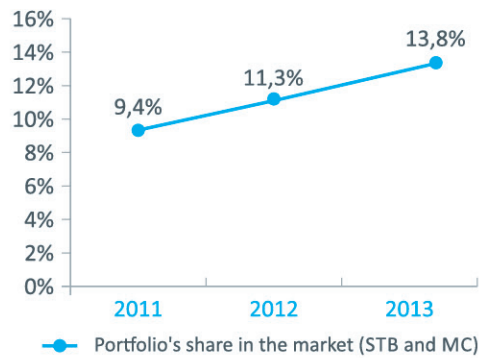


2.2. MARKET POWER

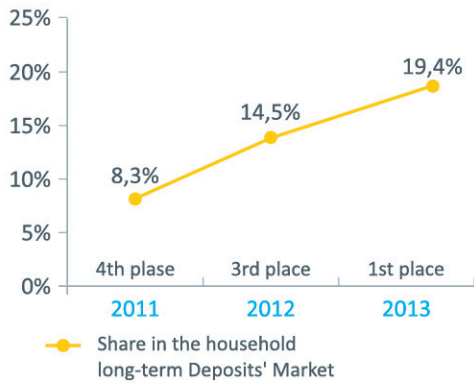
SHARE AND POSITION OF THE BANK AS FOR STB'S DEPOSITS



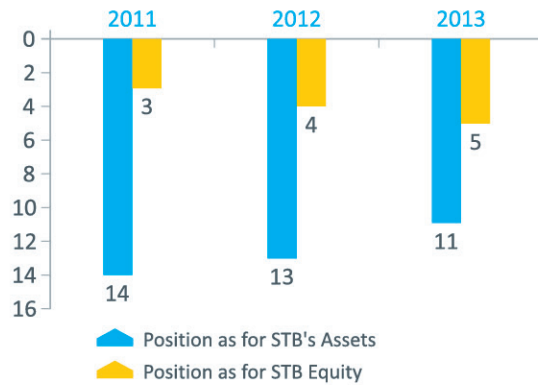
BANK'S SHARE IN LOANS MARKET FOR THE PROPERTY CONSTRUCTION AND ACQUISITION (STB AND MC)



SHARE AND POSITION OF THE BANK IN THE LONG-TERM HOUSEHOLD DEPOSITS



POSITION OF THE BANK AS FOR ASSETS AND EQUITY



III. SHAREHOLDER

Starting from August 2013, Baiterek National Management Holding JSC is the Bank's Sole Shareholder with 100% rights for a possession and a usage of the state block of shares.

Baiterek National Management Holding JSC (hereinafter referred to as – the Holding) was created in accordance with the Decree of the President of the Republic of Kazakhstan, issued on May 22, 2013 № 571: «On Some Measures of Management System Optimization for Development Institutes, Financial Organizations and National Economy Development» and the Regulation of the Government of the Republic of Kazakhstan, issued on May 25, 2013 №516: «On Measures for Realization of the Decree of the President of the Republic of Kazakhstan, issued on May 22, 2013 №571».

MISSION

The Holding's mission is an assistance in stable economic development of Kazakhstan by the means of financing and supporting for the priority sectors of economy, aiming to realise the state policy, solving of socially oriented tasks and goal achievement, stipulated by the Strategy – 2050.

The Holding is actively involved into strategic and social objectives of the state through the development institutions by the implementation of the State Program of accelerated industrial and innovative development for 2010 – 2014, as well as programs «Business Road Map – 2020» and «Affordable Housing – 2020».

The Sole Shareholder is The Government of the Republic of Kazakhstan.

MAIN GOALS AND TASKS:

1. Implementation of the effective risk management system.
2. Increasing of transparency and public confidence level.
3. Ensuring synergy effect of the subsidiaries' activity.
4. Increasing the economic efficiency of subsidiaries/break-even principle.
5. Attraction of additional investments.
6. Cooperation with a private sector.

MAIN DIRECTIONS OF ACTIVITY

Finance & Investment direction

Kazakhstan development Bank, Kazakhstan Investment Fund, KazynaCapitalManagement and Distressed Asset Fund

Entrepreneurship and innovation support

Damu Enterprise Development Fund, KazExportGarant, National Technological Development Agency

Housing construction

House Construction Savings Bank of Kazakhstan JSC, Kazakhstan Mortgage Company JSC, Kazakhstan Fund for Mortgage Loans Guaranty JSC



THE BOARD OF DIRECTORS IS THE SUPERIOR BODY OF THE HOLDING MANAGEMENT, MEMBERS OF WHICH, AS OF 31.12.2013, ARE THE FOLLOWING:

1. Akhmetov Serik Nygmetovich – Prime-Minister of RK, Chairman of the Board of directors;
2. Sagintayev Bakytzhan Abdirovich – First Deputy Prime Minister of RK, Member of the Board of Directors;
3. Isekeshov Asset Orentayevich – Deputy Prime Minister of RK, Member of the Board of Directors;
4. Sultanov Bakhyt Turlykhanovich – Deputy Prime Minister of RK – Minister of Finance of RK, Member of the Board of Directors;
5. Dosayev Yerbolat Askarbekovich – Minister of Economy and Budget Planning of RK, Member of the Board of Directors;
6. Yergozhyn Daulet Yedilovich – Chief of Social & Economic Monitoring Department of the President Administration of the Republic of Kazakhstan, Member of the Board of Directors;
7. Bishimbayev Kuandyk Valikhanovich – Chairman of Holding Management board, Member of the Board of Directors;
8. Claus Mangold – Non-executive Director;
9. Tomas Mirov – Non-executive Director;
10. Filipp Yeo – Non-executive Director;
11. Koshanov Yerlan Zhakanovich – Chief of Chancellery of Prime-Minister of RK, acting Corporate Secretary of the Holding.

THE MANAGEMENT BOARD EXECUTES THE MANAGEMENT OF CURRENT ACTIVITY OF THE HOLDING, IT CONSISTS OF 5 PERSONS:

1. Bishimbayev Kuandyk Valikhanovich – Chairman of the Management Board;
2. Aldambergen Alina Otemiskyzy – Deputy Chairman of the Management Board;
3. Dostiyarov Askar Abayevich – Managing Director, Member of the Management board;
4. Seidzhaparova Dinara Nurlanovna – Managing Director, Member of the Management board;
5. Teleushyn Kanysh Amanbayevich – Managing Director, Member of the Management board.



IV. BOARD OF DIRECTORS OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC



**Bishimbayev
Kuandyk Valikhanovich**

Date of current election in the Board of Directors

17.10.2013

Membership in Committees of the Board of Directors and presidency in the Board of Directors

The Chairman of the Board of Directors from 18.10.2013

Position

Representative of Baiterek NMH JSC

Education

2007 Kazakhstan Republic National Academy of Sciences, speciality: Economics
1999 – 2001 George Washington University, MBA (Master of Business Administration)
1997 – 2002 Taraz State University named after M.K. Dulati, speciality: Jurisprudence
1995 – 1999 Kazakh State academy of Management,
speciality: International economic relationships

Work experience

18.10.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC,
Chairman of the Board of Directors
04.06.2013 – until nowadays, Kazyna Capital Management JSC, Chairman of the Board of Directors
30.05.2013 – until nowadays, Baiterek National Management Holding JSC,
Chairman of the Management Board
13.03.2012 – until nowadays, Kazakhstan Development Bank JSC, Member of the Board of Directors
20.05.2011 – 17.06.2013 Kazpost JSC, Chairman of the Board of Directors
17.05.2011 – 30.05.2013 Samruk-Kazyna JSC, Deputy Chairman of the Management Board
03.08.2010 – 18.04.2011 Kazakhstan Republic Agency on Regulation and Surveillance over
Financial Market and Financial Organizations, Representative of the Government of the Republic of
Kazakhstan in the Management board
03.08.2010 – 11.05.2011 National Bank of the Republic of Kazakhstan, Representative of the
Government of the Republic of Kazakhstan in the Management board
01.04.2010 – 11.05.2011 The Ministry of Economic Development and Trade in the
Republic of Kazakhstan, Vice-Minister
23.06.2009 – 08.04.2010 National Bank of the Republic of Kazakhstan, Representative of the
President of the Republic of Kazakhstan in the Management board
23.06.2009 – 27.04.2010 Kazakhstan Republic Agency on Regulation and Surveillance over
Financial Market and Financial Organizations, Representative of the President of the Republic of
Kazakhstan in the Management board
22.05.2009 – 13.03.2010 Administration of the President of the Republic of Kazakhstan,
Assistant of the President of the Republic of Kazakhstan





**Aldambergen
Alina Otemiskyzy**

Date of current election in the Board of Directors

04.07.2013

**Membership in Committees of the Board of Directors and
presidency in the Board of Directors**

Member of the Board of Directors – Chairman of the Board of Directors from 15.07.2013 until 17.10.2013.

Member of the Committee on Issues of Strategic Planning of the Board of Directors and the Committee on Audit and Risks of the Board of Directors

Position

Representative of Baiterek NMH JSC

Education

1996 – 1997 William E. Simon Graduate School of Business Administration, University of Rochester's, speciality: Corporate Finance and Accounting

1991 – 1995 Kazakh State academy of Management, speciality: Finance and Credit

Work experience

28.11.2013 – until nowadays, Kazakhstan Mortgage Company MO JSC – Member of the Board of Directors, Chairman of the Board of Directors from 28.11.2013

04.07.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC, Member of the Board of Directors – Chairman of the Board (from 04.07.2013 until 17.10.2013), Member of the Board of Directors (from 18.10.2013)

26.06.2013 – until nowadays, Damu Enterprise Development Fund JSC – Member of the Board of Directors

17.06.2013 – until nowadays, Baiterek National Management Holding JSC, Deputy Chairman of the Management Board (from 23.07.2013)

04.06.2013 – until nowadays, Kazakhstan Development Bank JSC, Member of the Board of Directors

30.05.2012 – until nowadays, Kazakhstan Stock Exchange JSC, Member of Exchange Committee, Non-executive Director

07.11.2011 – 31.07.2013 OGCC KazStroyService JSC, Member of the Board of Directors, Non-executive Director

18.05.2011 – 23.01.2012 Samruk-Kazyna Finance LLP, Deputy Director General

24.01.2012 – 08.01.2013 Samruk-Kazyna Finance LLP, Director General

27.04.2012 – 05.07.2012 Temirbank JSC, Chairman of the Board of Directors

05.07.2011 – 27.12.2012 Temirbank JSC, Member of the Board of Directors

30.06.2011 – 24.12.2012 BTA Bank JSC, Member of the Board of Directors

24.05.2011 – 24.12.2012 Alliance Bank JSC, Member of the Board of Directors, Chairman of the Board of Directors

14.03.2008 – 15.04.2011 Kazakhstan Republic Agency on Regulation and Surveillance over Financial Market and Financial Organizations, Deputy Chairman





**Zhumagulov
Aibatyr Nyshanbayevich**

Date of current election in the Board of Directors

04.07.2013

**Membership in Committees of the Board of Directors and
presidency in the Board of Directors**

Member of the Board of Directors from 04.07.2013
Member of the Committee on Issues of Strategic Planning
of the Board of Directors of the Committee on Social Issues
of the Board of Directors, the Committee on Staff Issues and
Allowance of the Board of Directors, the Committee on Audit
and Risks of the Board of Directors

Position

Chairman of the Management Board of House Construction Savings Bank of Kazakhstan JSC

Education

1997 – 1999 Al-Farabi Kazakh National University, Master of Economics, speciality: Economic Theory
1993 – 1997 Al-Farabi Kazakh National University, Economics and Sociology Department,
speciality: Economics and Management

Work experience

22.10.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC,
Chairman of the Management board
04.07.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC,
Member of the Board of Directors
15.07.2013 – 05.11.2013 National Agency on Technological Development JSC,
Member of the Board of Directors
05.07.2013 – 05.11.2013 Kazakhstan Mortgage Company JSC, Chairman of the Board of Directors
05.07.2013 – 05.11.2013 KazExportGarant Export & Credit Insurance Corporation JSC,
Chairman of the Board of Directors
04.07.2013 – 05.11.2013 Kazakhstan Fund of Mortgage Credit Guaranteeing JSC,
Chairman of the Board of Directors
10.06.2013 – 21.10.2013 Baiterek NMH JSC, Managing Director
04.06.2013 – 17.10.2013 Kazyna Capital Management JSC, Member of the Board of Directors
05.10.2011 – 28.06.2013 BAUR KAZAKHSTAN GROUP, Member of the Board of Directors
02.07.2010 – 04.10.2011 IE Zhumagulov, Advisor
01.12.2009 – 01.07.2010 Ministry of Industry and New Technology of RK,
Director of the Department of Basic Fields
13.07.2009 – 30.11.2009 Ministry of Industry and New Technology of RK, Advisor
06.02.2009 – 03.08.2009 MAG JSC, Member of the Board of Directors





**Kabenov
Bakyt Amanzholovich**

Date of current election in the Board of Directors

04.07.2013

**Membership in Committees of the Board of Directors and
presidency in the Board of Directors**

Member of the Board of Directors - Non-executive Director, Chairman of the Committee on Staff Issues and Allowance of the Board of Directors and the Committee on Audit and Risks of the Board of Directors, Member of the Committee on Social Issues of the Board of Directors

Position

Non-executive Director

Education

1993 – 1997 Al-Farabi Kazakh National University, speciality: Economics and Management

Work experience

04.07.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC, Member of the Board of Directors, Non-executive Director

21.05.2013 – until nowadays, Ariya Zhana Astana LLP, Deputy Director General on finance and economics

05.03.2012 – 11.03.2013 Samruk-Energo JSC, Director of the Department on Corporate Financing

10.06.2008 – 29.02.2012 Asyl-Invest JSC, Deputy Chairman of the Management Board





**Babenov
Bulat Bazartayevich**

Date of current election in the Board of Directors

04.07.2013

**Membership in Committees of the Board of Directors and
presidency in the Board of Directors**

Member of the Board of Directors – Non-executive Director
Chairman of the Committee on Issues of Strategic Planning
of the Board of Directors

Position

Non-executive Director

Education

1997 – 1999 Academy of Civil Service under the President of the Republic of Kazakhstan,
speciality: Civil Service Manager

1992 – 1996 Kostanay Agricultural Institute, speciality: Economist & Manager

Work experience

12.08.2013 – until nowadays, Kompas Investment Portfolio Administration Company JSC,
Member of the Board of Directors – Non-executive Director

04.07.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC,
Member of the Board of Directors – Non-executive Director

14.12.2012 – until nowadays, Respublika NPF JSC, President, Member of the Board of Directors

16.07.2012 – 16.07.2013 Distressed Asset Fund JSC, Member of the Board of Directors –
Non-executive Director

14.06.2011 – 14.12.2012 Ular Umit NPF JSC, Member of the Board of Directors – Non-executive
Director

27.05.2011 – 20.04.2012 Zhetysu Organization Executing Investment Management for Retirement
Assets JSC, Member of the Board of Directors – Non-executive Director

19.08.2010 – 14.02.2013 BTA Bank JSC, Member of the Board of Directors – Non-executive Director

19.03.2010 – 19.10.2013 BTA Securities BTA Bank JSC Affiliated Company JSC, Member of the Board
of Directors – Non-executive Director





**Ibrashev
Miras Bauyrzhanovich**

Date of current election in the Board of Directors

04.07.2013

**Membership in Committees of the Board of Directors and
presidency in the Board of Directors**

Member of the Board of Directors – Non-executive Director
Chairman of the Committee on Social Issues of the
Board of Directors, Member of the Committee on Staff
Issues and Allowance of the Board of Directors

Position

Non-executive Director

Education

2008–2010 International Business Academy, MBA – Master of Business Administration
1998-2003 Kazakh National Technical University, speciality: Engineer & Economist

Work experience

04.07.2013 – until nowadays, House Construction Savings Bank of Kazakhstan JSC,
Member of the Board of Directors – Non-executive Director
02.08.2010 – until nowadays, SARY-ARKA COMPANY LLP, Deputy Director General
01.10.2010 – 28.02.2013 Grand AB Group LLP, Managing Director
30.04.2009 – 22.07.2009 Damir Trans LLP, Director General, Chairman of the Supervisory Board



V. MANAGEMENT BOARD OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC



**Zhumagulov
Aibatyr Nyshanbayevich**

is the Chairman of the Management Board of House Construction Savings Bank of Kazakhstan JSC since October 2013.

Until 2013, he held executive positions in finance organizations of the Republic of Kazakhstan.



**Altynsaka
Nurzhami Kalykbaikyzy**

is the Deputy Chairman of the Management Board of House Construction Savings Bank of Kazakhstan JSC since March 2007.

Until 2007, she held executive positions in second-tier banks, National Bank of the Republic of Kazakhstan.



**Baimukhanbetov
Kadyrkhan Adilkanovich**

is the Deputy Chairman of the Management Board of House Construction Savings Bank of Kazakhstan JSC since September 2013.

Until 2013, he held executive positions in second-tier banks.



**Yegeubayeva
Saule Askarovna**

is the Member of the Bank's Management board, the Deputy Chairman of the Management Board of House Construction Savings Bank of Kazakhstan JSC, she has been working in the Bank since 2003.

Until 2003, she worked in the National Bank of the Republic of Kazakhstan.



**Karashukeyev
Yerbol Shyrakpayevich**

is the Deputy Chairman of the Management Board of House Construction Savings Bank of Kazakhstan JSC since September 2013.

Until 2013, he held executive positions in finance organizations.



VI. STRATEGY OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

6.1. MISSION AND VISION

MISSION

The provision of equal access for a wide population stratum to the system of housing and construction savings among all regions of the Republic of Kazakhstan and rendering of the qualitative bank services in order to improve housing conditions.

VISION

House Construction Savings Bank of Kazakhstan JSC aims to provide a broad reach of the country's economically active population in order to participate in the system of housing and construction savings, maintaining principles of reliability, trust and high quality in interrelationships with clients and partners, transparency of business and corporate administration.

6.2. STRATEGIC GOAL OF DEVELOPMENT

According to the Long-term strategy of the Bank for 2012 – 2020, approved by the Board of Directors on 28.08.2012 (Protocol №137), the main strategic goal for the Bank's development until the end of 2020, is an increase of the bank competitiveness via an increase of participating performance share of the housing construction saving system up to 16% as for economically active population, and an increase and support of the profitability ratio for equity capital at a level not less than 5,7%.

6.3. GOALS AND TASKS FOR 2013

The Bank's activity in accounting period is executed in accordance with the Long-term strategy of the Bank for 2012 – 2020, the Bank's Development plan for 2012 – 2016, the Articles of Association and internal documents of the Bank.

In accordance with the above-mentioned documents for 2013, key indicators were stated, an achievement of which is introduced in the following table:

Table №1

Indicator Name	Plan for 2013	Act. for 2013	Execution, %
Ratio of HCS system clients to economically active population of RK, %	4,3	3,98	93%
ROE, %	1,26	4,77	379%
Contract on Housing Construction Savings, un.	96 100	106 579	111%
Loan issue, mln. tenge	50 421	61 170	121%

Actual participating performance share in the system of housing construction savings for economically active population of RK is, when plan is 4,3%, that is conditioned by the excess of terminated contract limits concerning housing construction savings (7%), when plan is 3%.

Return on equity, basing on the outcomes of accounting period, is 4,77%, that results from received positive undistributed profits of current period at the level of 4 552 mln. tenge, when the planned indicator is in the amount of 1 167 mln. tenge.

Information concerning contracts on housing construction savings and loan issuing is introduced in the following section.

VII. OUTCOME ASSESSMENT OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC FOR 2013, ACCORDING TO TYPES OF ACTIVITY

7.1. MAIN ACTIVITY

MAIN FIELDS OF BANK ACTIVITY

- 1) reception of deposits from participants of housing construction savings;
- 2) issue of loans for an improvement of housing conditions;
- 3) investment activity on the management of temporarily available assets of the Bank.

Product of housing construction saving system – Contract on housing construction savings

RECEPTION OF DEPOSITS

Currently, the Bank offers for consumers the following tariff programs, which differ by a period of saving accumulation, a period of crediting and interest rates:

Table №2

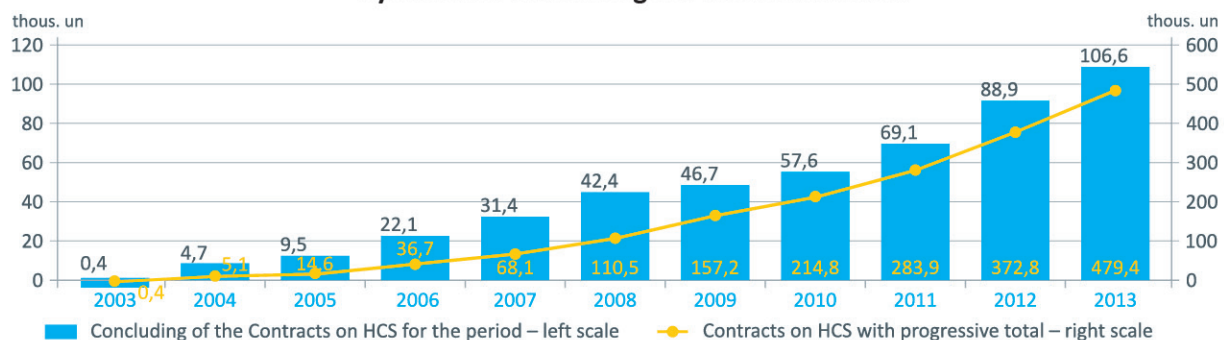
Name	Bastau	Orken	Kemel	Bolashak
Period of HCS accumulation	3-3,5 years	5,5 years	8,5 years	15 years
Fee rate for deposits in HCS	2% per annum			
Fee rate for housing loan	5% per annum	4,5% per annum	4% per annum	3,5% per annum
Period of housing loan provision	up to 6 years	up to 10 years	up to 15 years	up to 25 years

All existing tariff programs of the Bank need to accumulate 50% of contractual amount. Furthermore, the Bank renders services under contracts, concluded according to previously effective tariff programs, the conclusion of new contracts on which, currently, is not executing.

Diagram №1, shows the data on dynamics of conclusion of contracts concerning HCS from the beginning of the Bank Activity. While analysing the Bank's development, it is seen that growth rate of contracts concerning HCS is characterised by a rapid consecutive increase of population participation in the development of Kazakhstan housing construction saving system. Thus, the increase of quantity of concluded contracts concerning housing construction savings, for the period from 2011 until 2013 is on the average 23%.

Diagram №1

Dynamics of Concluding the Contracts on HCS



As of 31.12.2013, the quantity of concluded HCS is 479 436 contracts, contractual price reached 1 014,0 bln. tenge. Yet, the quantity of the contracts in force concerning HCS exceeded 345 000 contracts, that is 22% higher than the indicator upon outcomes of 2012 (281 984 contracts).

As of 31.12.2013, deposit base is 192,5 bln. tenge, that is the increase for 48%, comparing with the indicators of 2012. Loan Portfolio of the bank increased for 35%, and was 149,0 bln. tenge.



LOAN ISSUE

The Bank provides its depositors with housing, intermediate and preliminary housing loans to conduct events on the improving of housing conditions, notably:

- construction (including acquisition of a land), acquisition of housing, including by the means of its exchange in order to improve it;
- repair and modernization of housing (including acquisition of construction materials, payment for contract works);
- extinction of obligations, which appeared in connection with the events on improvement of housing conditions;
- introduction of initial contribution in order to obtain the mortgage housing loan in banks and organizations, executing some types of bank transactions.

According the Law of the Republic of Kazakhstan: «On Housing Construction Savings in the Republic of Kazakhstan», it is defined that the amount of fee rate on a housing loan cannot be higher than the fee rate for deposits in housing construction savings more than three percent per annum.

Current fee rates for preliminary and intermediate housing loan:

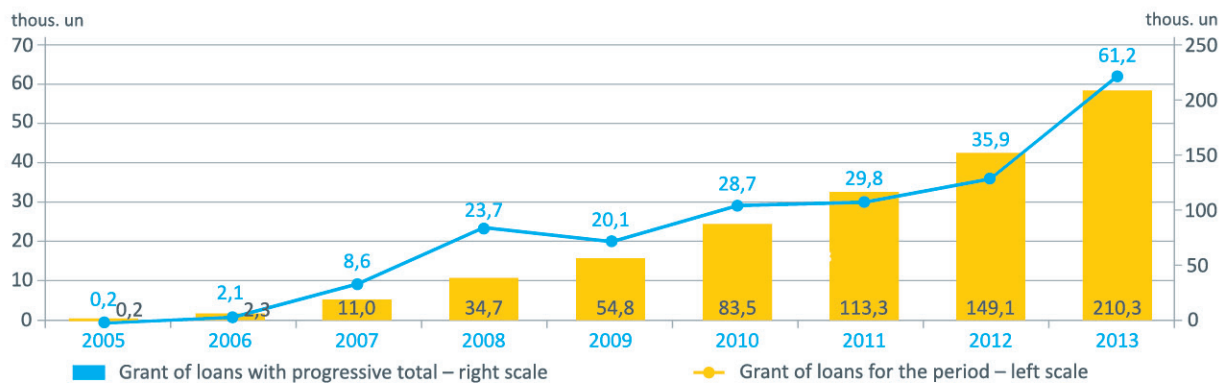
As of 31.12.2013, recognizability of the Bank among population is 74,4%.

Table №3

Loan Types	Fee Rate	
	on Market Programs	in the range of Affordable Housing – 2020 Program, using budget funds
Intermediate housing loan	7,5% – 8,5% per annum (effic. rate from 8,9%)	6,5% – 7% per annum (effic. rate from 7,2%)
Preliminary housing loan	9,5% – 10% per annum (effic. rate from 11,4%)	8% per annum (effic. rate from 8,6%)

Diagram №2

Dynamic of Loan Issue



While conducting the comparative analyses of the Bank's loan issue volumes for the period from 2005 until 2013, the sharp growth of crediting volumes is observed until 2008 inclusive. This growth is conditioned by the onset of periods for housing loan issue, beginning of preliminary housing loan issue, and also realization of state programs for housing construction. In addition, there is an observed sharp leap of growth from 2012 till 2013 from 35,9 bln. tenge up to 61,2 bln. tenge, which is connected with the increase of preliminary and intermediate housing loan issue, including the range of Affordable Housing – 2020 Program, loan issue on which has started in 2012.

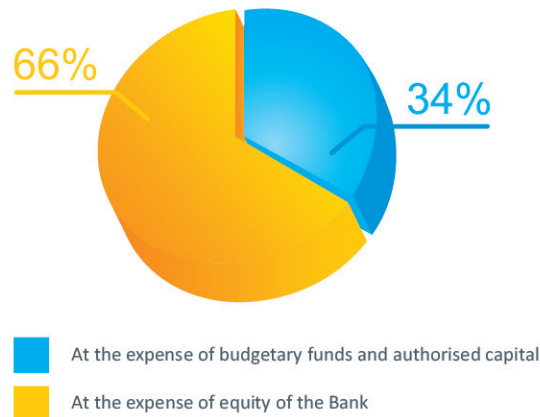
In addition, an increase of annual loan issue volume for the period from 2011 until 2013 was on the average 31%.

As of 31.12.2013, the quantity of the issued loan was 60 141 loans for an overall amount of 210, 3 bln. tenge. At the same time, the quantity of loans in force was 43 742 loans for an overall amount of 149,0 bln. tenge.

The structure of issued loans (by volume) in the context of financing sources and application objectives for 31.12.2013 is introduced in Diagram №3:¹

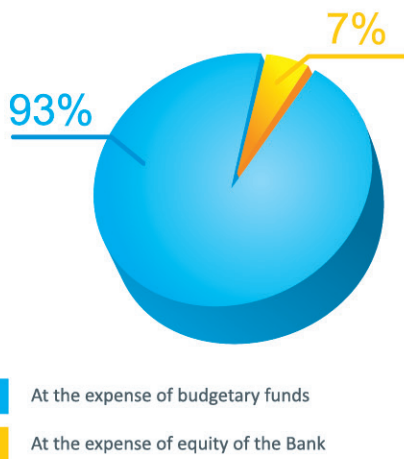
Diagram №3

All issued loans as of 01.01.2014

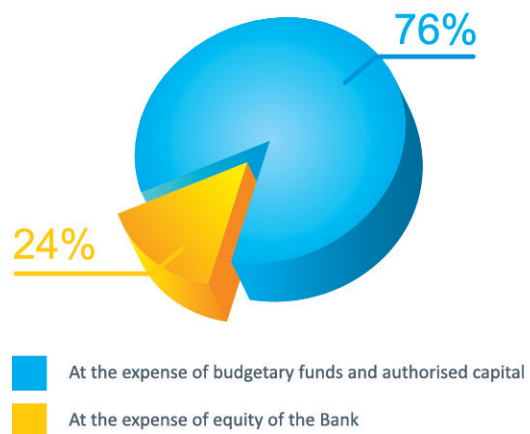


While analysing loans according to funding sources, it is necessary to note, that the largest share is occupied by the loans, issued at the expense of the Bank's assets (66% of all issued loans).

The loans, issued in the scope of SP for 2005 – 2007 and 2008 – 2010, as of 01.01.2014



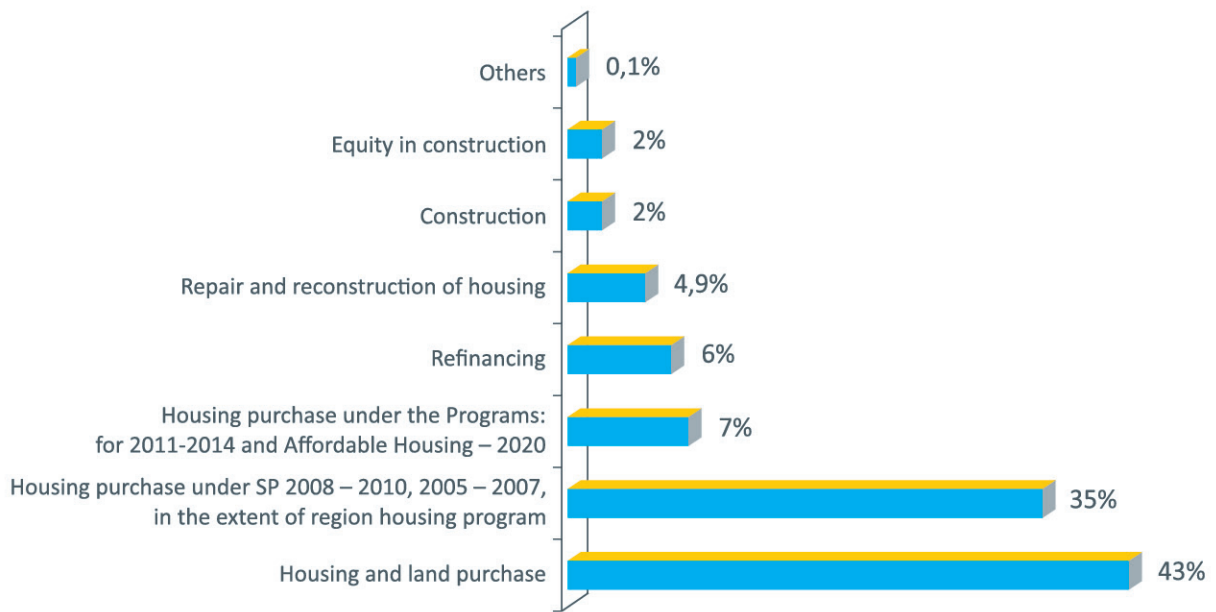
The loans, issued in the extent of Affordable Housing – 2020 Program, as of 01.01.2014



In the extent of Affordable Housing – 2020 Program Implementation, it is seen that the largest share is occupied by the loans, issued at the expense of the Bank's assets, which account 76%.

¹SP 2005-2007 – State Program on housing construction in the Republic of Kazakhstan for 2005 – 2007
SP 2008-2010 – State Program on housing construction in the Republic of Kazakhstan for 2008 – 2010

**Structure of loans in the context of a use, as of 31.12.2013
(according to order volume)**



The analysis of loan structure in the context of goals shown, that the largest share is occupied by the loan, issued for housing and land purchase (43%). At the same time, a share of loan, issued for «housing purchase under SP 2008 – 2010, 2005 – 2007, accounts 35%.

The assessment of outcomes on the Bank’s main activity for 3 - year period is shown in the following table:

Table №4

Indicator Name	Un. meas.	Actual for 2011	Actual for 2012	Plan for 2013	Act. for 2013	Execution, %
Contracts on HCS	un.	69 090	88 912	96 100	106 579	111%
Crediting amount	mln. tenge	29 760	35 874	50 421	61 170	121%

The analyses of the Bank’s main indicators for the specified period shows sustainable growth, both for concluded contracts on HCS, as well as for credit volume, that reflects demand, competitiveness and flexibility of the Bank Products in the Kazakhstan financial marketing.

Banking Commission

The bank has the right to levy commission and other charges for a conclusion of contracts on housing construction savings and other services of the Bank.

The Bank follows the police of setting minimum tariffs for its services. This policy is determined onto maximum attracting of new clients in the system of housing construction savings, and is widely used in the practice for product promotion in the market and enlargement of potential base of clients that, nowadays, is typical for the Bank’s activity. Thus, in 2013, an amount of some commissions was revised toward a decrease, 6 types of commissions were cancelled.

The improvement of conditions and procedures of servicing

In order to improve client servicing conditions, the Bank provides a decrease of financial load onto clients for 30%, on the average, on account of the financial conditions simplification:

- cancellation of some commissions in the area of concluding additional agreement to the con-



tract on housing construction savings, granting amounts, contributed in excess of accumulation schedule, entering money into a transit account with the aim of subsequent granting in a case of cession of rights and liabilities under the contract on housing construction savings, registering deposit-secured loan in order to ensure the execution of liabilities of the Bank's depositor against other financial organizations, cashless transfer inside the Bank's system (into a saving account of the 3rd person in the Bank), rendering consulting services on the consideration of depositor's application for its inclusion into the pool of housing purchasers, selling via housing construction saving system;

- decrease of commission on the arrangement of loan issue for 50% (from 1% to 0,5% of loan amount).

Also, the Bank simplified procedures of forming the pool of purchasers and leaseholders of housing under Affordable Housing – 2020 Program:

- starting from 01.01.2014 – cancellation of a commission on submitting application in the pool of purchasers (leaseholders) of housing;
- realization of a possibility to submit the application for the participation in a pool and for attracting clients by freelance agents via an external site of the Bank;
- realization of a possibility to confirm incomes for three months (instead for six months) in a case of job change and other objective circumstances;
- widening of a circle of persons for the confirmation of solvency under an accumulation for housing leaseholders;
- implementation of the priority determination order in a case of grade equality of applicants for the participation in a pool according to the date of concluding the contract on housing constructing savings.

In accordance with the report on execution of the Bank budget for 2013, the Bank received a fee revenue in the amount of 1 873,6 mln. tenge, while the annual plan for 1 108,3 mln. tenge. The over fulfilment of the plan on a fee revenue for 113% could be explained by the following reasons:

1) Introduction of amendments in the Bank Account Policy (the Resolution of the Board of Directors №10, issued on 10.06.2013). Starting from April 2013, only the commissions have been amortised that are included into the calculation of effective credit rate, as for all remaining commissions, a revenue is reflected in the current period. The plan on a fee revenue was made on the basis of the first 2 months of 2013. In 2012 and January - March of 2013, all the amount of commissions across the Bank was amortised.

2) An over fulfilment of the plan on intermediate and preliminary housing loans for 75% and 48%, accordingly, and also an over fulfilment of the plan on concluding contracts on housing construction savings for 7%.

3) In 2013, the volume of terminated contracts on housing construction savings increased more than two times, comparing with the plan. 3 per cent share was planned on the termination of the contract, the actual one was 7%. In a case of the contract termination, all the amount of non-amortised commission shall be attributed to revenue of the current period.

INVESTMENT ACTIVITY

Nowadays, for the Bank to hold its position in the market of banking services, its comprehensive development is necessary. Also, as well as another financial institute, the Bank pays a particular attention to the development of its investment activity, determined toward an efficient investment of available free cash funds in order to receive a guaranteed level of income and an increase of the Bank's assets.

As of 31.12.2013, financial assets of the Bank is 207 518 mln. tenge, including securities for 149 663 mln. tenge, inter-bank deposits – 19 815 mln. tenge, REPO operations – 31 605 mln. tenge.

Thus, a share of the government securities in the Bank's financial instruments is 68,35%.

A share of inter-bank deposits is 9,55% (19 815 mln. tenge), 45,42% (9 000 mln. tenge) of which are deposits in NB RK. For a deposit in NB RK, there are located temporary pending disbursements of the budgetary credit of MF RK, obtained in the extent of Affordable Housing – 2020 Program.

A share of REPO operations is 15,23% (31 605 mln. tenge). A growth of incomes and a volume of REPO operations is conditioned by high demand from STB and other participants of the market.



Also, in the extent of Affordable Housing – 2020 Program, the Bank allocates special-purposes time deposits in second-tier banks. A volume of special-purposes time deposit allocation, as of 31.12.2013, is 3 265 mln. tenge.

Revenues on financial instruments increased for 63%, from 4 876 mln. tenge, according to the outcomes of 2012, up to 7 938 mln. tenge, according to the outcomes of 2013.

Table №5
mln. tenge

Indicator	2011	2012	Plan for 2013	2013	Plan fulfilment for 2013, %	Change during 2013, %	A share in general volume of revenues from FA for 2013, %
Incomes on securities	2 177	4 096	5 290	6 501	123%	59%	82%
Incomes on DEPO	399	395	391	386	99%	-2%	5%
Incomes on REPO	43	117	105	960	914%	721%	12%
Incomes on dealing operations and repricing	227	268	70	91	130%	-66%	1%
Total:	2 846	4 876	5 856	7 938	136%	63%	

In 2013, in the structure of revenues from finance instruments, the main share is occupied by incomes from securities – 82% from the amount of incomes from financial instruments. This revenue item has increased, comparing to the previous year for 59%. The main effect onto this indicator was made by the growth of return of the securities holdings, from 3,67% per annum to 4,40% per annum.

Revenues on the inter-bank deposits were shortened in 2013 for 2%, comparing to the previous year. The decrease of revenues under this article is connected with an absence of the placement of inter-bank deposits in the second - third quarter 2013.

The sufficient grows for REPO operations in 2013 (for 721%, comparing with the value of the previous year), connected with a growth of income of the specified operations from 4,52% per annum, for 01.01.2013 up to 7,55% as of 31.12.2013.

The assessment of outcomes on the Bank's main activity for 3-year period is shown in the following table:

Table №6

Indicator Name	Un. meas.	Actual for 2011	Actual for 2012	Plan for 2013	Act. for 2013	Execution, %
Assets	mln. tenge.	212 877	284 320	357 437	355 162	99%
Equity Capital	mln. tenge.	89 333	92 587	93 190	98 254	105%
Liabilities	mln. tenge.	123 544	191 734	264 247	256 908	97%
ROE	%	0,44	2,24	1,26	4,77	379%
ROA	%	0,16	0,82	0,36	1,42	394%
Deposit Base	mln. tenge.	72 562	129 848	198 989	192 534	97%
Loan Portfolio	mln. tenge.	86 379	110 348	141 958	149 047	105%

As well as in the case with main indicators, described above, also it is necessary to point out a growth of financial indicators of the Bank. This growth corresponds to the policy of administration and development strategy of the Bank.

7.2. PARTICIPATION OF THE BANK IN THE IMPLEMENTATION OF STATE PROGRAMS IN THE REPUBLIC OF KAZAKHSTAN

IMPLEMENTATION OF SP 2008 – 2010

In accordance with SP 2008 – 2010, an operator for its realization determines the Bank. During the all period of State program implementation, including SP 2005 – 2007, at the expense of budgetary credits as of 31.12.2013, there were granted 19 448 loans for the total amount about 67, 0 bln. tenge, from which only in 2013 – 673 loans for the total amount of 2,5 bln. tenge.

Besides, at the expense of equity the Bank provided participants of State Program with 1 945 loans for the total amount of 4,8 bln. tenge, from which in 2013 – 426 loans for the total amount of 0,5 bln. tenge. The decrease of issuing amounts is connected directly with the end of the State Programs.

AFFORDABLE HOUSING – 2020

The Bank is one of operators for the implementation of Affordable Housing – 2020 Program, in the fields: «Housing for all categories of population» and «Housing for young families.»

In the extent of events on the implementation of this program, the following events are executed.

As of 31.12.2013, the Bank and local executive authorities in regions and Astana and Almaty cities (hereinafter referred to as – LEA), 124 objective agreements on construction and realization of housing were concluded (2011 – 42 agreements, 2012 – 37 agreements, 2013 – 45 agreements). According to the signed agreements, it is stipulated to provide the construction and realization for citizens 14 255 apartments with general area of 910 thous. sq.m.

As of 31.12.2013, 101 mansions were put into commission (8247 apartments with general area of 534,9 thous. sq.m.)

The Bank makes all possible and dependent from it measures on timely implementation of Affordable Housing – 2020 Program. However, there is untimely construction and delivery of objects into commissioning that leads to:

- decrease of population trust to the Program;
- pool participants' refuse because of long-time waiting of object delivery into commissioning;
- possibility of the Bank's risk occurrence, including ones, connected with reputation.

Thus, in the specified terms, 66,5 thous. sq. m. were not put into commissioning (in East-Kazakhstan Reg., Semey city, Atyrau, South-Kazakhstan, Pavlodar, Mangistau regions, in Almaty city).

8 247 apartments have been put into commissioning, title establishing documents are executed for purchasers and delivered to the bank for 4 592 of them, and in the end of 2013 the amount of 25,9 bln. tenge were transferred into local budgets for 4 126 apartments (including those with discount rates with the use of budgetary funds in the amount of 3,7 bln. tenge).

The formation of housing purchasers' pool via housing construction saving system.

As for 13 695 of selling apartments, 28 233 applications from the Bank's depositor were accepted (2011 – 5 656 applications, 2012 – 6 612 applications, 2013 – 15 965 applications), there were opened housing purchasers' pool for 453 from them.

As of 31.12.2013, in 430 housing pools, the acceptance of applications has been already finished per 13 399 apartments. As for remaining 23 housing pools, currently, the acceptance of applications from depositors in order to form the pool is continuing for 296 apartments.

STB funding in order to finance a construction of housing by private builders.

As for this field of the bank's activity, 3 contracts on purpose-oriented deposits were signed, for an overall amount of 3 686 mln. tenge, for the following objects: Zhagalau – 3 HE – Bank CenterCredit JSC, Kausary HE – Tsesnabank JSC and Araily Aktobe HE – Tsesnabank JSC. As of 31.12.2013, purpose-oriented deposits for the amount of 3 265 mln. tenge.



THE BANK'S PARTICIPATIONS IN SOCIAL PROJECTS

It is necessary to point out the Bank's participation in the implementation of social projects in cooperation with local executive authorities and orphanages.

In order to support socially unsupported classes of society, the Bank executes concluding contracts on housing construction savings for inmates of nursing organizations of the Republic of Kazakhstan in the age under 21 years of old inclusively, who are orphans or who have not a parental care, without a charge of commission fee in the amount of 0,55% from a contractual price.

Besides, the Bank, in order to provide a support in solving housing issues of inmates of nursing organizations of the Republic of Kazakhstan, has made the decision concerning the accepted preferential conditions of crediting, which could be used by the nursery organisations' inmates of the Republic of Kazakhstan in the age from 21 up to 25 years old inclusively. Actually, as of 31.12.2013, 14 inmates of nursery organizations improved their housing conditions.

Bank branches, starting from 2007, at the expense of employees, helps veterans - war participants and disabled of the Great Patriotic War, granting goods of the first need and transferring monetary funds for the Social Funds of war participants and disabled of the Great Patriotic War.

7.3. OPERATIONAL ACTIVITY

INFORMATIONAL DEVELOPMENT

The Bank, in its development, pays a great attention to informational & technical support of its subdivisions' activity.

The Bank conducts works on the development of IT-infrastructure, which will be continued in 2014.

Also, on a permanent basis, a work on the development of automatized informational system is conducted in order to improve its functional and technical possibilities and to lead them to the compliance with tariff program requirements, and also to broaden its analytic possibilities.

The Bank, in accounting period, has conducted the modernization of HCSBK AIS on the modules of AEA, and works on the introduction of modernized modules «Deposits» and «Credits» were finished by HCSBK AIS in 2012 at a new core of the system. Renewal of the specified modules increased a productivity of the system.

Currently, the project realization is going on, it is connected with modification of Data Warehouses on Oracle BI, allowing to solve analytic tasks and to support a decision-making.

Currently, the key processes of risk management system, building of relationships with clients are also automatized, including in the extent of state program implementation, the integration with Electronic Government portal (Egov.kz), with tax oversight bodies, on the development of agent network and on the outreach of alternative methods of payments' acceptance.

BANK RATINGS

To increase finance and investment image, the Bank, on a permanent basis, executes a work on supporting its rating.

In 2013, the rating was confirmed at the following level by Moody's Rating Agency:

• *deposit rating in the national currency*
«Ba1/NP», *forecast: stable;*

• *Bank Financial Stability Rating*
(BFSR) «E+», *forecast: stable.*

«E+» Financial Stability Rating, maintaining by the Bank, proves the stable creditworthy of the Bank. The predominant influence, on the value of Financial Stability rating, is made by peculiarity and value of a field of activity, management quality, main financial indicators, operational environment of an organization. The Bank Rating value evidences about the overall positive appraisal, relating to the Bank, by the international rating agency.

The Bank rating on deposits in the national currency is the highest indicator among STB of Kazakhstan, excluding the banks with foreign participation.



BUSINESS - PROCESSES DEVELOPMENT AND QMS

The processes (processing landscape) of QMS is identified in the Bank, Maps are developed and criteria of QMS processes effectiveness are defined. The Policy in the area of quality is adopted, in accordance with which the main priorities of the Bank in this area are: quality of rendering services, professionalism of the personnel, gaining confidence among the citizens etc.

Starting from 2007, QMS is introduced and acting in the Bank in accordance with MS ISO 9001:2008, the objective of which is to ensure clients' satisfaction with servicing quality. Every year, the Bank passes the QMS external audit in order to obtain the acknowledgement of the Bank's QMS correspondence with the specified international standard.

HCSBK, on a permanent basis, is monitoring a feedback from clients via different feedback tools.

To solve servicing quality problem, the Bank makes maximum efforts:

- possibility to execute cashless payments via STB is provided;
- its own Contact-Centre is functioning, the functions of which are the provision of client access to information on products and services of the Bank, a cover of call from all regions, and also the elimination of the cases of non dial-up to regional subdivisions;
- infrastructure and operating environment are improved;
- new system of front-office personnel training and the system of distant study for all employees of the Bank are developed and introduced.

The specified measures allowed eliminating, partially, the problems with servicing quality.

Besides, the following events are scheduled:

- installation of self-service terminals for the execution of contributions into client's account;
- further modernization of AIS, began in past years;
- enlargement of agent network by individual entities in order to decrease the operational load and expenses etc.

7.4. STAFF DEVELOPMENT

The objective of the Bank's personnel policy is support and improvement of the unified system and ideology of personnel management, aiming to ensure an achievement of goals and tasks of the Bank.

Internal arrangement structure of the Bank consists of 22 independent subdivisions of the Head office, 14 regional and 3 city branches, and 15 service centres. Actual strength of the Bank, as of 31.12.2013, is 899 employees. The procedure of competitive selection for vacant positions of the Bank consists of several stages, including: determination of the need in personnel, selection of candidates and analyse of curriculum vitae, conducting preliminary interview, professional testing with candidates.

In addition, one of the key fields of development of the Bank is formation and development of personnel reserve, possessing an ability for management activity, corresponding with requirements, putting for the position.

The procedure of personnel reserve formation is conducted in the Bank since 2008 in order to replace positions by the means of detecting high-potential employees and arrangement of their professional, career growth. The employees, included in the personnel reserve, possess the necessary professional knowledge and skills to occupy managing and key positions. On the annual basis, the Bank conducts training for employees of the personnel reserve in order to obtain the leadership skills and competences.

The number of employees, included in the personnel reserve, in 2013, is 14 employees. At the same time, a share of reservists, assigned for managing positions from the Bank's employees, included in the personnel reserve, in 2013, was 30% (6 employees).

In order to get acquainted employees with the development strategy of the Bank and to exchange opinions on further professional personal development of an employee, and also offers on optimization of business-processes, the conduction of meetings of personnel reserve employees with members of the Board of Directors, Management board and managing directors of the Bank are introduced into practice.



To determine the efficiency of each employee's activity in the implementation of the Bank's strategic tasks, the system of employee assessment on the basis of Key Performance Indicator is used. The outcome effectiveness of an employee is the percentage of Key Performance Indicator (KPI) fulfilling. All Bank's employees are subject to assessment, starting from members of the Management board up to specialists. The assessment, basing on the outcomes of the Map of employee's efficiency, allows covering the main fields of activity of each employee and appraising the effectiveness of his/her work.

In the Bank, there is the system of social support: an employee in a case of childbirth is provided with material assistance (and also in a case of other family circumstances), medical insurance is executed for employees for a case of a disease, and the professional medical examination, starting from 2013, the delivery of employees from their places of residence to the place of work and back by a bus of the Bank Vehicle Fleet was arranged.

In addition, in order to increase effectiveness and outcomes of work of employees, the system of moral encouragement is functioning in the Bank.



VIII. PRODUCT DISTRIBUTION SYSTEM

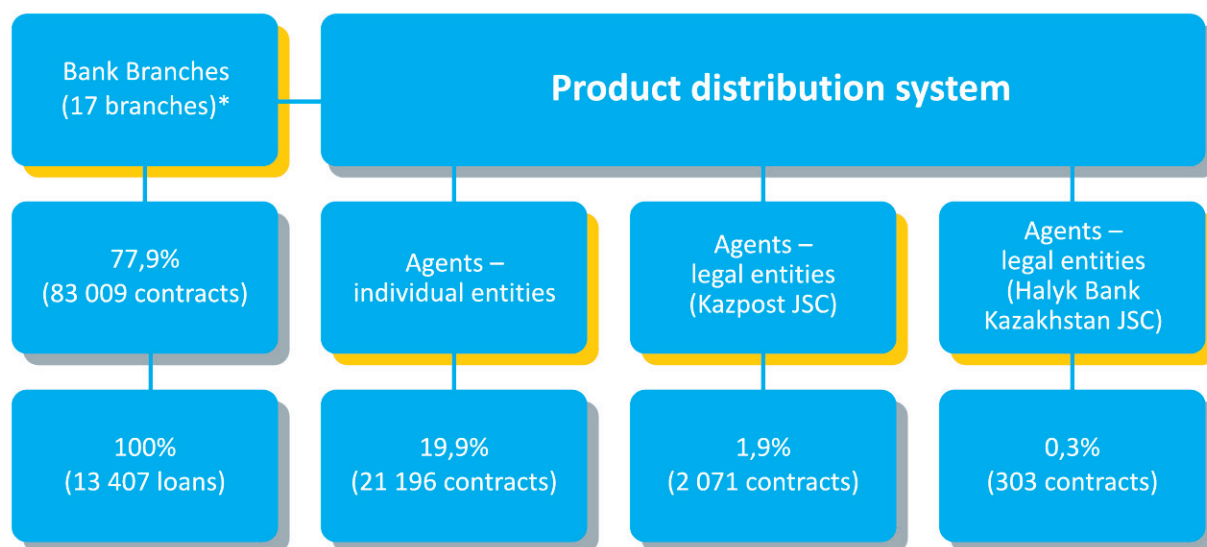
The contracts on HCS and loans are selling via the product distribution system of the Bank, which includes the following participants:

- branches (regional, city branches) and service centres;
- agents – individual entities;
- agents – legal entities – Kazpost JSC and Halyk Bank of Kazakhstan JSC.

As of 31.12.2013, the Bank has 17 regional branches and 15 service centres across Kazakhstan (in 2012: 18 branches and 5 service centres).

The main participants of the product distribution system, the quantity of contracts on housing construction savings, concluded by them, and the quantity of issued loans (including the loans, issued under the State Programs) for 2013 are represented in the Diagram №4:

Diagram №4



* Starting from 01.01.2013, the Central Branch in Astana city and the branch in Astana city are unified.

The sufficient reinforcement of working speed of all branches in the second half of the year, and also the start of loan issuing under Affordable Housing – 2020 Program and the completion of SP 2008 – 2010 in some regions allow, in general across the Bank, overfulfilling the planned annual indicators on loan issuing.

At the same time, from all loans of 2013 (61,2 bln. tenge), the loans under SP 2005 – 2007 and 2008 – 2010 are 4,1% (2,5 bln. tenge), and for housing purchase under Affordable Housing – 2020 Program, there was granted 12,1 bln. tenge (i. e. 19,8% of overall amount). Thus, ordinary «market» loans, issued under tariff programs of the Bank, account more than 76% of total amount of the loans issued for 2013 (i. e. 46,6 bln. tenge).

As of 31.12.2013, a number of agents – individuals, for the year was 322 persons. The decrease of agents' quantity from 366 to 322 persons is caused by reorganization of agent network operation of the Bank, starting from 01.12.13, and implementation of new mechanism of agent service rendering, which requires mobility, professional level of agents' knowledge and working skills for a personal computer.

In order to increase the efficiency of agent network operation, starting from 01.12.2013, Agent Network Software has been put into commissioning. It is intended to provide freelance agents with a web-interface for the execution of operations on filling in electronic applications for concluding contract on housing construction savings, registering an additional agreement on amount increase of preliminary/intermediate loans.



According to the outcomes of 2013, the efficiency of agent network was marked in West-Kazakhstan regional branch, Kostanay regional branch, Almaty regional branch, Central Branch, Pavlodar regional branch, Karaganda regional branch, North-Kazakhstan regional branch, Akmola regional branch, Branch in Almaty. Agents concluded from 20% to 46% of contracts from the total quantity of contracts, concluded by branches.

SERVICE CENTRES OPENING

In order to provide access to housing construction saving system for the wide range of population in all regions of the country, the Bank opens Service Centres (SC).

According to the long-term strategy, it is planned to open 29 SCs (including 7 SCs opened in 2013) during the period from 2014-2016. As of 31/12/2016 for the period from 2013 to 2016 envisages opening of 29 SC (including 7 SC, opened in 2013). Thus, as of 31.12.2013, 15 SC were opened.

CONTACT-CENTRE

There is in-house Contact-Centre operating since 01.04.2013, the main goals and tasks of which are as following:

- provision of a customer access to information on Bank's products and services;
- decrease of a load on the Bank's front-office in order to increase the quantity of customers, servicing in branches;
- elimination of a case of non dial-up to regional subdivisions;

In 2013, the Contact-Centre processed 56 258 citizens' inquiries.

The Contact-Centre uses in its operation Genesys software, integrated with Oracle Siebel CRM system, which allows operators to process calls through scripts in online in the context of given customer information. Due to reorganization of corporate structure of the Bank and expansion of Contact-Centre functions, starting from 01.12.2013 Contact Centre includes newly established Customer Informational Support Division and Citizens' Inquiries Management Sector. As part of Bank's staff increase, Contact-Centre in-house personnel was increased up to 10 persons and complemented by 6 outsourced persons.



Cover of call servicing in all regions.

Following events were implemented due to expansion of functions in fourth quarter of 2013:

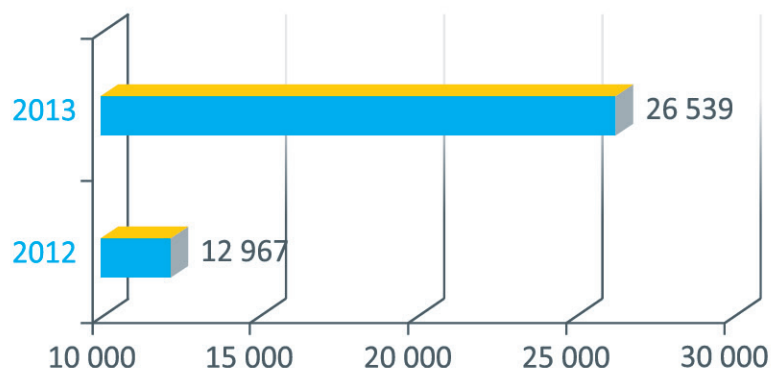
- implementation of function of forwarding all incoming calls of Customer Services Divisions and Lending Divisions of branches in Almaty and Astana directly to the Contact-Centre, with future forwarding to all branches;
- realization of «feedback» function – call forwarding to branches and subdivisions of Head Office, and also «direct call» function – call from a client directly to the Contact-Centre without dialling the number with the possibility to leave a claim/suggestion, to receive a prompt advice with the installation of a telephone in client's zone in all Bank Branches, this function is intended for the exclusion of using boxes for claims and suggestions;
- realization of «moderator» function in order to provide standard prompt advises for citizens' inquiries delivered to the Bank's external website and Managers' Blogs.

ALTERNATIVE PAYMENT ACCEPTANCE METHODS

According to the results of 2013 almost 26,5 bln. tenge was received via the alternative channels, that is 24,1% of the total amount of all monetary payments in the amount of 110,2 bln. tenge. In 2012, this indicator accounted only 13 bln. tenge. Currently, the services on acceptance and transfer of money for benefit of the Bank are executed by the means of: Halyk Bank of Kazakhstan JSC, Kazpost JSC, Kazkommertsbank JSC, BTA JSC, Eurasian Bank JSC.

The data on payments with a use of alternative methods of payment acceptance in 2013 are represented in the Diagram №5.

Diagram №5
in mln. tenge



ADVERTISING AND PR-ACTIVITY OF THE BANK

Banking advertisement is recognised to be an effective tool for customer engagement, and existing competitive environment and qualitative changes which has took place in the advertisement market require more professional approach for campaign planning. First of all, customer pays attention to recommendations, correspondence of bank's services with its specialization, its reputation and history of relationships with business partners, while selecting a bank.

In order to increase Bank awareness among citizens, as well as to promote a product in the market of banking services, advertising activity plays not the least of roles in the Bank's activity. Development of advertising activity of the Bank is the key indicator in development of both, the Bank and housing construction saving system, which helps to multiply the quantity of new participants of housing construction savings system.

In 2013, the following operations were conducted in relation to advertising and PR-activity:

- video advertisements were placed on TV – 25 066 releases;
- audio advertisements were placed on republican radio – 1 093 releases;
- 622 publications of explanatory nature were placed in periodical publications in Almaty and Astana City, Kazakhstan's regions;
- 115 informational materials were placed on 262 billboards;
- 1 721 800 units of advertisement printed products were developed, made and sent to branches in a form of brochures, booklets, sheets, flyers, posters etc.
- 37 112,26 cm² of informational modules were placed in periodical publishing;

During reporting year, the Bank conducted 363 507 consultations for new clients and 259 578 consultations for existing clients.

In order to improve public image and to execute informational & explanatory works with clients, the Bank conducts guest presentations in organizations and at enterprises of RoK. In 2013, 4 363 presentations were conducted.

In addition, the Bank executes an active work on providing citizens with complete available information on the conditions of Affordable Housing – 2020 Program. At the same time, all possible ways of communication are used (i. e. television, radio, press, internet, guest presentations at enterprises, consulting directly in the Bank's offices). Thus, in 2013, the Bank conducted the following events:



1) production of video and audio advertisement in the fields: «For all categories of citizens» and «Young family» in State and Russian languages and placing it at republican and regional TV-channels (6 882 releases/625 releases).

2) development of step-by-step explanatory presentation materials on a possibility to participate in Affordable Housing – 2020 Program in order to send them to regions, place at the Bank's site, provide for deputies for work with citizens, use in the Bank's explanatory work;

3) spreading of 1 221 thous. units of printed products;

4) placing animated banners in the Internet (26 mln. rotations);

5) execution of 349 issues of explanatory articles in republican and regional mass-media;

6) conduction of press-conferences concerning an explanation of the main fields and conditions of this Program, arrangement of press-conferences in connection with the start of poll formation for the large projects that are constructing in the Head office, all regional centres, Astana and Almaty cities by branches of the Bank.

All branches of the Bank have the task to conduct guest presentations at enterprises on explanation of the program conditions. During the period of Program implementation, 5 039 onsite presentations were conducted, at which 110 290 visitors were present.

Freelance agent network of the Bank, consisting of 324 agents, was additionally trained and conducted an explanatory work on the Program among citizens.

The Bank's Contact-Centre has consulted, as for 31.12.2013, 116 363 claimants, among whom the larger part was potential participants of the Program. For clients' convenience, a possibility of free call from any city of Kazakhstan to the Contact-Centre, the Bank pays for the communication services, which are executed through multichannel inter-city telephone number.

In reviewing period, 430 articles in State and Russian languages were published in republican and regional mass-media on free of a charge basis, 259 episodes – on TV (including news, analytic programs, summarized informational and financial programs etc.), on the radio - 106 episodes (including news, informational programs etc.). At the popular Internet-portals, 350 informational messages and topic discussions of Affordable Housing – 2020 Program were fixed.

Information on Affordable Housing – 2020 Program is located at the corporate website of the Bank, and also at the Bank's terminals for payment acceptance.



IX. RISK MANAGEMENT POLICY AND INTERNAL CONTROL SYSTEM INHOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

With the purpose of effectiveness of risk management, the Bank has adopted the system of risk restriction for obtained funds and equity capital of the Bank for execution of the Bank's development strategy, acceptance of planned profits and provision of its sustainable current operation.

In 2013, the Bank conducted the sufficient methodological work of the Bank risk management, in the scope of which there were developed and actualised 28 internal documents, including the regulations on collegial institutions of the Bank (Committee on Board of Directors' Audit, Committee of on Assets and Liabilities' Management), risk management policy, investment policy, procedure of cumulative limit setting, methodology of stop-loss limit setting, rules concerning internal credit policy, rules of borrowing, rules for the conduction of monitoring factors, which effect the worsening of financial statement of the Bank, rules of general conditions of executing operations, instruction on arrangement and conduction of internal crediting analysis, instruction on reserve creation (provisions), instruction on formation of dynamics reserves, instruction on determination of collateral value and other provision, instruction on stress-testing conduction, limits of provision qualities, credit risk and liquidity risk were approved, limits for the authorization for operations, executed by a division of the exchequer, and other documents were added.

The Bank has observed all its requirements and restrictions, stated by the authorised bodies, in the field of prudential norms, minimum reserve requirements, and also measures of early response were applied, in connection with possible worsening of financial position of the Bank.

In the process of risk management, a great attention has been paid to management of credit and marketing risks, liquidity risks and non-financial risks.

Aiming to assess credit risks, bank maintains monthly VAR (Value at Risk) calculation, stress-testing of credit risks over different types of crisis scenario, divided depending on a depth of the crisis under testing, and also monitoring of crediting limit observance, while making a decision on loan issue.

The Bank adheres to the conservative credit policy.

At the end of 2013, a share of provisions, created in accordance with IFRS, amounted 1,43% of loan portfolio, a share of 10 large credits of the Bank amounted 0,21% of loan portfolio of the Bank, that evidences the absence of concentration risk for loan portfolio. In the structure of mortgage security, a share of real estate amounted 93,1% of the total mortgage security. The overall weighted factor LTV (i. e. loan-to-value) was equal to 52,1%, that evidences the conservative mortgage policy.

In order to minimize credit risks on procurements, the Bank was governed by the Law of the Republic of Kazakhstan: «On the State Procurements», and also by the database of the Ministry of Finance concerning unfair suppliers. In a case of credit risk realization, the Bank conducted claim-related work with unfair suppliers.

The Bank executed the assessment of financial tools' value on the basis of risk assessment model and reduction of current prices to market ones, including monthly execution of stress-tests. In order to assess marketing risks, VAR (Value At Risk) calculation for price, currency and credit risks, interestrate GAP analysis, analysis of duration of securities holdings and structural analysis on interest rate risk were conducted monthly. Back-testing of using methodologies of VAR-calculation was executed.

At the end of 2013, 76% of temporary free funds of the Bank were placed in financial tools with minimal risk (money and correspondent account in the National Bank of RK, deposits in the National Bank of RK and governmental securities). At the same time, while possessing defaulted corporate obligations, acquired in 2005 – 2007: VITA JSC, Kazneftehim JSC, Astana-Finance JSC with the total nominal value of 1 059 mln. tenge, the Bank executed work on issuers' debt collection.

While governing non-financial risks, the main meaning is paid to sequential development and improvement of the Bank's internal control system. The Bank conducted financial indicator monitoring and monitoring of the risks that were accepted by the Bank on the consolidate basis, and also managing bodies of the Bank were conducting permanent assessment of risks, effecting an achievement of the assigned goals, changing circumstances and conditions by the means of analysis of management reporting, provided by structural subdivisions of the Bank, and an audit.

In 2013 the Bank's Management board, quarterly, viewed reports on non-financing risks, on the results of which 13 suggestions were given and 2 events on minimization of non-financial risks were approved for execution, which were fulfilled by the Banks subdivisions.



On the whole, in 2013, in the limits of fulfilment of the authorised body requirements on the risk management, 2 147 reports were prepared and 3 116 requests relating to the risk management system (letters to KFA, NBRK, memos, projects of internal documents, branches' credit applications) were executed.

Besides, according to the results of the Bank's management quality analysis and check by the authorised body in 2013, functioning of the risk management and internal control system, management quality level in the Bank is moderate.

For the purpose of compliance-risk management – Compliance Service is functioning in the Bank, which consists of a compliance-controller and participants of compliance, the exclusive competence of whom includes execution of internal control over a compliance of the Bank's activity with requirements of the legislation of the Republic of Kazakhstan, including regulations of CFS NB RK, the National Bank of RK, an authorised body on financial monitoring, international standards of financial supervision, recognized by the Republic of Kazakhstan, internal documents (ID) and procedures of the Bank. Participants of the Compliance Service are members of the Management board, Managing Directors, managers of subdivisions of compliance-control, risk-management, security, legal subdivision, quality subdivision, the exclusive competence of which includes execution of functions on compliance-risks management.

The Compliance Service, in 2013, aiming to provide the correspondence of an activity with the legislation of RK, standards of professional activity in financial market, and also ID of the bank, was monitoring amendments/additions of the legislation of RK, regulating the Bank's activity, basing on the results of which, appropriate amendments in ID of the Bank, were promptly introduced. Subdivisions of the Bank developed and approved amendments/additions in 168 ID in force and developed 65 new ID, in order to actualize ID, to make them correspondent with requirements of the legislation of RK, and to regulate business-processes in 2013.

If information/claims on non-compliance of the Bank's activity, or an action of its employee with requirements of the legislation, and internal documents, the Bank shall promptly conduct a work on checking of appropriateness of delivered claims and eliminating detected non-compliances. During 2013, 843 claims (complaints) were delivered and examined.

A particular attention was paid to the provision of observance of the legislation of RK, including the issues of counteraction to money legalization (laundering), received by a criminal way, and to terrorism financing (hereinafter referred to as – CML/TF), compliance of the Bank's activity with business intercourse practices and principles of professional ethics, and also provision of the sustainability of financial situation.

The Bank's policy in the field of CML/TF pursues achievement of the following goals in order to decrease a probability of possible compliance-risks.

- non-admission of a use of the Bank's products and services as an instrument for the execution of criminal activity, such as money laundering, terrorism financing, fraud and corruption;
- protection of business reputation of the Bank and its clients.

Thus, in 2013, the Compliance Service conducted a work on actualization of ID of the Bank, developed in the scope of legislation concerning CML/TF; there was sending to the Committee on Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan (hereinafter referred to as – CFM MF RK) of messages concerning operations, subject to financial monitoring; there was a scheduled training for employees of the Bank in accordance with the Training Plan on CML/TF, and also the initial briefing for new-accepted employees. Also, information on amendments in the List of individuals and organizations, connected with terrorism and extremism financing was brought to the notice of concerned subdivisions.

During 2013, the Bank sent to CFM MF RK 2 558 messages on operations, subject to financial monitoring, and received approvals of information acceptance.

In order to automatize procedures, conducting by the Bank in the scope of legislation on CML/TF, the subdivision of compliance-control executed work on acquisition and introduction of the system: «Financial Monitoring», allowing, in automatic mode, to create messages concerning operations, subject to financial monitoring, for sending to CFM MF RK.



The Bank, in accordance with the requirements of legislation, maintains register of persons connected with the Bank by specific relationships, which, on the monthly base, in accordance with ID of the Bank, should be submitted for approval to the Board of Directors, which also should be brought to the note of concerned subdivisions of the Bank. Deals with persons, connected with the Bank by specific relationships, in accordance with requirements of the legislations of RK, are concluded by the Bank after their approval by the Board of Directors. The Compliance Service conducted work on automation of the process of listing the register of persons, connected with the Bank by specific relationships, and the execution of deals with them, that allowed decreasing a risk of conclusion of deals without a resolution of the Bank's Board of Directors.

The Bank's Management board in cooperation with the Compliance Service conducted work on identification and assessment of issues for the occurrence of compliance-risks, and the Plan of events on their elimination/decrease was approved, monitoring of its execution was executed.

Aiming to manage a compliance-risk, the Compliance Service, in 2013, examined the Bank's activity, its structural subdivisions and employees for the observance of requirements of the legislation of RK, regulations of authorized bodies and ID of the Bank. Basing on the results of examinations, plans of corrective actions were developed, monitoring on its timely execution was conducted. Besides, in 2013, the Compliance Service conducted work on coordination of the Bank's subdivisions' operation, when there were audits of the Bank conducted by the authorized bodies.

Dynamics of fulfilment of prudential norms and profitability ratio.

Prudential norms are observed by the Bank during all period of activity. Information on their ratios is shown in the Table:

Table №7

Name	Norm	2013	2012
ADEQUACY OF CAPITAL			
K1-1 (adequacy of equity capital)	>=5%	26%	32%
K1-2 (adequacy of equity capital)	>=5%	61%	80%
K2 (adequacy of equity capital)	>=10%	64%	81%
LIQUIDITY			
K4	> 30%	3 471%	4 221%
K4-1	> 100%	427%	1 135%
K4-2	> 90%	516%	1 216%
K4-2	> 80%	457%	1 019%

As it is seen in the Table, all prudential norms are fulfilled by the Bank. Profitability ratios per annum are shown in the Table:

Table №8

Name	2013	2012
ROE (profit/capital ratio)	4,77%	2,24%
ROA (profit/assets ratio)	1,42%	0,82%



X. CORPORATE MANAGEMENT SYSTEM OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

CORPORATE MANAGEMENT

The corporate management (hereinafter referred to as – CM) in the Bank is determined toward the interrelationship between the Shareholder and the Bank's Management (BD and the Bank's Management board), and also with another concerned persons, by the means of which rights and interests of the Shareholder, the Bank's clients are realized.

The relationship between participants of CM in the Bank by the means of passing regulatory documents, procedures of development and application of which are based on the international practice in the field of CM. In the Bank, its own Corporate Management Code is adopted:

- regulated accountability of the management of BD to the Sole Shareholder;
- avoidance of conflicts of interests and relationships of affiliation;
- excluding a dependence and subordination of the Non-executive Director to the Bank's management;
- clear division of authorities between the Bank's bodies;
- publication of maximum volume of information on activity and financial indicators of the company;
- provision of transparency of actions of management and the Shareholder.

These mechanisms allow providing effective and fair work of all CM-participants. Mechanisms of CM are intended to provide a liability of:

- BD to the Shareholder;
- management to BD;
- Bank to employees and clients, society, in general.

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- BD to the Shareholder,
- management to BD;
- Bank to employees and clients, society, in general.

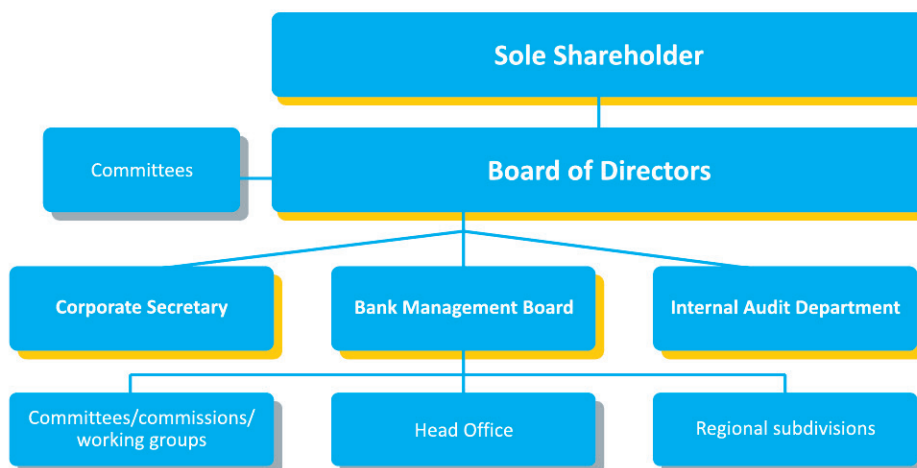
CM is concentrated on the fact that specified management institutions should fulfil their functions in the best way, while maintaining the balance of interests between them.

MAIN PRINCIPLES OF CM OF THE BANK

- 1) principle of protection rights and interests of shareholders;
- 2) principle of effective management of the Bank and its BD;
- 3) principle of transparency and objectivity of disclosing information on the Bank's and the Shareholder's activity;
- 4) principle of legitimacy and ethics;
- 5) principle of effective dividend policy;
- 6) principle of effective personnel policy;
- 7) principle of regulation of corporate conflicts and conflict of interests;
- 8) principle of responsibility.

ORGANIZATIONAL STRUCTURE

Diagram №6



XI. RESULTS OF AN ACTIVITY OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC

In 2013, 27 meetings of the Bank's BD were arranged and conducted, including 16 meetings in presentia and 11 meetings in absentia. 178 issues were considered, on which the decisions were made: 146 – in presentia, 32 – in absentia.

In accounting period, the Board of Directors approved the following internal documents of the Bank:

1. Code of Corporate Conduct for management and employees of House Construction Savings Bank of Kazakhstan JSC (Protocol №23, issued on 28.10.2013);
2. Risk management policy of House Construction Savings Bank of Kazakhstan JSC (Protocol №25, issued on 29.11.2013);
3. Rules for borrowing of House Construction Savings Bank of Kazakhstan JSC (Protocol №25, issued in 29.11.2013);
4. Rules of the execution of procurement of House Construction Savings Bank of Kazakhstan JSC (Protocol №25, issued on 29.11.2013);
5. Development Plan of House Construction Savings Bank of Kazakhstan JSC for 2014-2018 (Protocol №26, issued on 13.12.2013);
6. General staff quantity of House Construction Savings Bank of Kazakhstan JSC was approved (Protocol №26, issued on 13.12.2013);
7. Rules of execution and confirmation of development plans, development of reports on fulfilment of development plans of House Construction Savings Bank of Kazakhstan JSC were approved (Protocol №27, issued on 27.12.2013);
8. Risk limits of House Construction Savings Bank of Kazakhstan JSC for 2014 were approved (Protocol №27, issued on 27.12.2013);

There are 4 committees, accountable to the Board of Directors in the Bank:

1. Committee on Audit and Risks;
2. Committee on the Issues of Strategic Planning;
3. Committee on the Issues of Staff and Allowances;
4. Committee on Social Issue.

In connection with the changes in staff, which took place, in the personnel of management of the Bank, by the resolution of the Board of Directors, issued on 18.11.2013 (Protocol №24), the changes were introduced in the personnel of the Committee of the Issues of Strategic Planning, the Committee on the Issues of Staff and Allowances, the Committee on Social Issue.

COMMITTEE ON AUDIT AND RISKS

By the resolution of the Bank's Board of Directors issued on 04.11.2009 (Protocol №84), the Committee on Auditing the Board of Directors was established.

By the resolution of the Board of Director, issued on 15.07.2013 (Protocol №15), the Committee on Auditing the Board of Directors was reorganized into the Committee on Audit and Risks.

The Committee on Audit and Risks acts for the benefits of the Bank's shareholders, and its work is intended for the provision of assistance for the Bank's Board of Directors by the means of development of recommendations on:

- 1) establishment of an effective system for the control over financial & economic activity of the Company (including completeness and reliability of financial statements);
- 2) control over a real estate and an efficiency of the internal control and risk management systems, and also over an execution of documents in the field of corporate management;
- 3) control over independence of external and internal audits, and also over the process of ensuring an observance of the legislation of the Republic of Kazakhstan;
- 4) other issues in accordance with requirements of the Regulation on the Committee on Audit and Risks.

In 2013, 13 meetings of the Committee on Audit and Risks were conducted, including 7 – in presentia and 6 – in absentia, 37 issues were considered, on which 37 decisions were made.



COMMITTEE ON THE ISSUES OF STRATEGIC PLANNING;

The main objective of the Committee is development of recommendations for the Board of Directors concerning the strategic goals (development strategies) of the Bank, including the issues on development of measures, promoting a raise of efficiency of the Bank's activity in the long-run perspective.

The main tasks of the Committee are development and provision of recommendations for the Board of Directors on making decisions concerning the following issues:

1) determination of the strategic goals (development strategies) of the Bank, execution of measures on their implementation and provision of recommendation for the Board of Director to make appropriate measures on the achievement of intended goals.

2) existing economic and competitive environment for the determination of its influence on existing strategy of the Bank's development and provision of revision/re-evaluation of development strategies, while regarding these changes.

In 2013, 5 meetings of the Committee on the Issues of Strategic Planning were conducted, including 2 – in absentia and 6 – in presentia, 14 issues were considered, on which 14 decisions were made.

COMMITTEE ON THE ISSUES OF STAFF AND ALLOWANCES;

The main objective of the Committee is development of recommendations for the Board of Directors concerning the issues of election (appointment) and allowance for officials, employees of the Bank, approving (appointing, election) of whom is executed by the Board of Directors.

The main tasks of the Committee are development and provision of recommendations for the Board of Directors on making decisions concerning the following issues:

1) election and(or) appointment of candidates for members of the Board of Directors, the Management board, for the positions of the Corporate Secretary, a manager of the Internal Audit Service, the Compliance-Controller and other positions, approving (appointing, election) of whom is executed by the Board of Directors;

2) appropriate allowance for members of the Board of Directors, members of the Management board and other employees, according to ID of the Bank, in compliance with goals, tasks and current position of the Bank, and a level of allowance in comparable, as for a type and a scope of activity, legal entities (organizations/companies);

3) introduction of structured and open system of allowance for members of the Board of Directors, members of the Management board, according to ID of the Bank.

In 2013, 5 meetings in presentia of the Committee on the Issues of Staff and Allowance were conducted, 7 issues were considered, on which 7 decisions were made.

COMMITTEE ON SOCIAL ISSUE

The main objective of the Committee is development of recommendations for the Board of Directors on Social issues.

The main tasks of the Committee are development and provision of recommendations for the Board of Directors on making decisions concerning the following issues:

1) provision of social assistance and development of recommendation on provision of social assistance for the Bank's employees;

2) provision of the Board of Directors with recommendations on other issues in the extent of its competence, in accordance with an assignment of the Board of Directors and/or provisions of ID of the Bank.



XII. RESULTS OF THE MANAGEMENT BOARD ACTIVITY

In the reporting period the Bank Management conducted 302 meetings, from which there are 42 meetings in presentia registered with the protocol of the Management board, 260 meetings in absentia registered with the regulation of the Management board.

The quantity of considered issues, on which a decision was made, is 431, from which 171 decisions were made in presentia, 260 – made by questioning (in absentia). 260 regulations of the Bank's Management board were adopted, by which 69 ID were approved and 166 ID were amended.

In 2013, the Bank made decisions on the following important issues:

1. Adoption of the Bank Branches Infrastructure Development Plan;
2. Adoption of the Report on the Main Performance Indicators of House Constuction Savings Bank of Kazakhstan JSC for 2012 for publication;
3. Approval of the report of the Board od Administration on results of the Bank's activity for 2012;
4. Approval of the Annual Report of House Constuction Savings Bank of Kazakhstan JSC for 2012 (for the Sole Shareholder);
5. Results of listening in Baiterek NMH JSC of the presentation concerning activity of House Constuction Savings Bank of Kazakhstan JSC;
6. Adoption of the Program of Image Remedial Action for House Constuction Savings Bank of Kazakhstan JSC and the Plan of Events on Implementation of the Program of Image Remedial Action for House Constuction Savings Bank of Kazakhstan JSC;
7. Consideration of cumulative offers on optimization of the organizational structure of the Bank for 2013;
8. Adoption of the Plan on Reorganization of the Bank's Agent Network;
9. Revision of the committees on the basis of calculation of prime costs for banking services for 2014;
10. Consideration of offers on optimization of the Bank's business-processes;
11. Consideration of the project plan for events, intended for an improvement of servicing of the Bank's clients and results of the agent network operation efficiency analysis and payment of agent allowances;
12. Adoption of the organizational structure of the Bank as of 01.12.2013;
13. Suspension of provisional housing loans;
14. Consideration of offers on the optimization of business-processes for servicing participants of Affordable Housing – 2020 Program;
15. Consideration of offers on introduction of amendments and additions into the Long-term Strategy of the Bank;
16. Consideration of the issue, related to an appropriateness of exchange transaction execution;
17. Consideration of the issue on an establishment of restrictions for a cession of rights and liabilities under contracts on housing construction savings, excluding a cession between the following members of a family and relatives: husband/wife, parents, children, adoptive (foster) parents, brothers and sisters of the whole blood and of the half blood, grandfather, grandmother, grandchildren, parents' brothers and sisters of the whole blood and of the half blood.

Committees (commissions) of the Bank are permanently acting collegial bodies of the Bank, executing assurance of the coordinated management with a development and an implementation of the Bank's development strategies for the long-run and short-run periods, production plans, and also determining investment and other policies.

The structure of the main committees (commissions) of the Bank and activity in 2013 are shown below.

COMMITTEE ON STRATEGY AND CORPORATE DEVELOPMENT

The main type of activity of the Committee on Strategy and Corporate Development (hereinafter referred to as - CSCD) is the guidance for development and implementation of the Bank's development strategy.

Main tasks of CSCD are:

- Determination of strategic goals of the Bank's development;
- Coordination and control of execution of the Strategic Plan for the Bank's development
- Increase of effectiveness of existing Bank's management system.

In 2013 16 meetings of CSCD were held, 43 issues were considered, decision were made for all the issues.



COMMITTEE ON ASSETS AND LIABILITIES MANAGEMENT

The main task of the Committee on Assets and Liabilities Management (hereinafter referred to as - CALM) is a consideration of rules and procedures of risk management, investing and borrowing by the Bank in external and internal markets, conduction of purchase/sell operations, and also determination of key points (reference portfolio) on diversification, return on equity, liquidity of the Bank and sufficiency of the Bank's capital.

In 2013, 26 meetings of CALM were conducted, which considered 230 issues. Based on the considered issues, 97 orders were given.

TARIFF COMMITTEE

The main task of the Tariff Committee is a consideration and a provisional approval of minimum value of the assessment indicator, tariffs and conditions for services, rendered by the Bank.

Totally, in 2013, 18 meetings of the Tariff Committee were conducted, on which 59 issues were considered, 70 decisions were made and 89 orders were given.

CREDIT COMMITTEE

The main task of the Credit Committee (hereinafter referred to as CC) is realization, in the extent of its authorities, of provisions of the Rules for internal credit policy of the Bank and resolutions of CALM, providing that there is the maximum decrease of risks of borrowing and obtaining of the maximum benefit from the following banking operations: operations on housing loan provision, intermediate housing loans, preliminary housing loans.

In accordance with approved Plan of CC work of the Bank's Head Office, in the reporting period, 37 meetings were held, on which 111 issues were considered, as well as 29 applications from clients were considered.

COMMITTEE ON INFORMATIONAL RESOURCES

The main task of the Committee on Informational Resources is a consideration of the Bank's projects in the field of informational infrastructure and informational security in order to provide recommendations for the Bank's Management.

In 2013 12 meetings were held, on which 30 issues were considered. In the scope of considered issues, 97 decisions and orders were made.

BUDGETARY COMMISSION

The main task of the Budgetary Commission is a consideration of financial and nonfinancial information in order to make a reasonable decision, while making projects of the budget, an investment plan and a plan for procurements of goods, works and services of the Bank.

In 2013, BC of the Bank conducted 27 meetings on the basis of applications from branches and subdivisions of the Head Office, in the scope of which 516 applications were considered, mainly:

- on introducing amendments and additions in the budget, an investment plan and a plan for procurements of goods, works and services of the Bank for 2013;
- on forming budget, an investment plan and a plan for procurements of goods, works and services of the Bank for 2014;

COMMISSION ON DEFINING A COST AND CHARGE-OFF OF FIXED ASSETS AND NON-MATERIAL ASSETS, OLD-STOCK INVENTORY HOLDINGS

The main tasks of the Commission on DC COFA NMA OSIH include a consideration of the issues on decision-making concerning:

- 1) determination of a cost, terms of normative and useful operation of fixed assets and non-material assets of the Bank;
- 2) charge-off of the Bank's property, according to the internal documents of the Bank, regulating a retirement of the Bank's property;
- 3) conduction of a test on the depreciation of fixed assets and non-material assets;

In 2013 the Bank's Commission held 24 meetings, in the scope of which 46 issues were considered, mainly:



- on the recognition of FA: «Buildings and Constructions»;
- on the unification of FA: «Buildings and Constructions»;
- on the charge-off of FA;
- on the conduction of an auction for selling FA;
- on partition FA;
- on the free-of-a-charge transfer of FA;
- on the elimination of FA;
- on the conduction of a test on the depreciation of FA and NMA.

DISCIPLINARY COMMISSION

The main tasks of the Commission are:

- 1) consideration of the issues on observing labour discipline by the Bank (an employer);
- 2) consideration of the materials of an internal investigation on the facts of a breach of labour discipline, and also illegal culpable neglect or improper execution of labour responsibilities by the Bank's employees, development of offers concerning an application of disciplinary penalties;
- 3) consideration of the facts of abuses, misuse of powers and other breaches on behalf of the Bank's employees, detected as a result of a consideration by the Bank of individual or legal entities' appeal;
- 4) consideration of the facts of breaching the legislation of the Republic of Kazakhstan, internal documents of the Bank, detected as a result of external and internal examinations;
- 5) consideration of the facts of abuses, misuse of powers and other breaches on behalf of the Bank's employees, depending on information of branches directors, managers of the Bank's subdivisions.

In 2013, the Bank's Commission considered 17 issues.

COMMISSION ON PERSONNEL AFFAIRS

The main tasks of the Commission are:

- 1) realization of internal personnel police of the Bank;
- 2) coordination of a work on employees' assessment including in a case of solving of disputable issues;
- 3) consideration of candidates in order to form the personnel reserve of the Bank;
- 4) consideration of candidates for a moral encouragement;
- 5) preparation and provision for the Bank's management of offers on improvement work on selecting, distributing and training of personnel;
- 6) consideration of the issues, connected with the discharge of employees in a case of redundancy of the Bank's employees.

In 2013, the Bank's Commission considered 8 issues.

ASSESSMENT OF THE BANK'S MANAGEMENT BOARD ACTIVITY IN 2013

This assessment is connected with the fact that 4 or 5 members of the Management board had the work efficiency for 2013 that was more than 100%.

The activity of the Bank's Management board, in the reporting period, is characterized as positive.



XIII. MAIN PRINCIPLES OF PAYMENT FOR MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

Labour payment order for the Chairman and members of the Bank's Management board, approved by BD, is intended to stimulate their faithful, creative and initiative labour, to provide with fair allowance, depending on difficulty of executing work, occupying position and personal contribution in a fulfilment of the Bank's task.

Labour payment for members of the Bank's Management board envisages the following elements:

1) wage (fixed allowance) – position salary, setting for managing employee, depending on his/her functional obligations and responsibility level;

2) allowance, based on the outcomes of a work - non-fixed allowance, payable once a year, depending on outcomes of a work with the purpose of material stimulation of the achieved successes and stimulation of the work efficiency increase;

3) payments, stipulated by the legislation of the Republic of the Kazakhstan – payments for the days of vacation, payments for the days of temporary disability and others.

Labour payment for members of the Bank's Management board is made in the extent of funds, intended for that in the Bank's budget. Allowance is paid, basing on the results of achieving efficiency for the accounting period.

In accordance with the effective principles of allowance for members of BD, the following is stipulated:

- allowance for members of BD – representatives of the Sole Shareholder in a form of wage and in the amount, stipulated at the place of employment;
- allowance for members of BD – Non-executive Directors in a form of monthly fixed allowance, subject to an income tax amount, that is to be deducted in a case of allowance payment.



XIV. CORPORATE SOCIAL LIABILITY

Nowadays, the Bank also pays attention to trends in the field of development of corporate social liability. Thus, the Bank conducts work for the three main trends: employees' healthcare, educational projects, ecology and provision of labour safety and protection.

EMPLOYEES' HEALTHCARE

Thus, in 2013, 600 employees of the Bank could use the medical services on the contract of voluntary health insurance.

With the purposes of social protection of employee's interests on healthcare, the Bank annually concludes the contract on health insurance.



EDUCATIONAL PROJECTS

Taking into consideration, that a development of personnel is one of the constituent provisions for the success of any company, the Bank annually includes in its plan funds for training and development of personnel.

The arrangement of an advanced training for personnel is an accumulation of economic-organizing events: on training, re-training and advanced training of personnel, on testing of employees from front-subdivisions for knowledge in the field of banking products, conduction of an attestation for the Bank's employees.

The provision of external and internal training in the Bank for employees has been conducting since 2004 in accordance with the Plan on training and advanced training for employees and managing personnel of the Bank. Basing on the results of training, an employee should submit a report to the supervisor with conclusions, recommendations and offers on the improvement of work in the Bank's practical activity.

A share of the Bank's employees, experienced the external training in 2012 – 42%, in 2013 – 46% of total quantity of employees.

An important trend of a personnel work, presenting a periodical examination of the professional qualification and correspondence to occupying position of the Bank's employee, is attestation. The procedure of attestation has been regulated since 2008, and actually has been conducting by the Bank since 2009, in accordance with the Rules for conducting an attestation for the Bank's employees, approved by the regulation of the Bank's Management board in order to define a level of professional background and competence of the Bank's employees for the appropriateness of occupying positions.

In 2012, 120 employees (100% employees, subject to the attestation) were certified, and in 2013 – 115 employees. All employees of the Bank, subject to the attestation, in 2013, had successfully passed the attestation.

At the same time, to define a level of professional knowledge and competence of the employees from front-office, as for acquaintance with tariff programs and internal documents of the Bank, since 2009, 2 times a year, testing and an interview with employees from the front-office has been conducted.

In the scope of this event, employees of subdivisions of the Bank's Head Office, who are supervising the main activity of branches, sale support, quality system control, development of banking products and personnel management, take part in the work of commission in the Bank Branches in order to conduct testing and interview with front-office's employees.

In the dynamics of testing results, the increase of average grade level is pointed out, that denotes an improvement of knowledge of tariff programs of the Bank, provisions of pool forming for depositors in order to participate in programs of housing construction, provisions of accumulating and crediting,



monitoring and administering of loans, standards of servicing for employees of the front-officer.

In addition, in order to increase efficiency in working with the Bank's clients and increasing a quality of servicing, training seminars, training on qualitative service rendering and effective servicing of clients, on working-off skills for stress-resistance and conflict-resistance are conducted for employees of the front-office, situational tasks of employees' behaviour with clients in theoretical and game form are solved.

ECOLOGY AND PROVISION OF LABOUR SAFETY AND PROTECTION

The Bank is the payer of payments for an emission in environment, according to the rules of special nature management. Special nature management is executed on the basis of the ecological permit, issued by the authorised body in the field of environmental protection.

In order to execute a complex of events, determined on a creation and provision of safe and healthy labour conditions, there is the Department of labour safety and protection in the Bank.

In 2013, the Bank paid a special attention to the issues of providing labour safety and protection in structural subdivisions of HO and branches of the Bank.

In accordance with the Labour Law, the compulsory occupational accident insurance of employees and health insurance for a case of illness have been organized, as it was mentioned earlier.

The system was established that deals with trainings, instructing and checks of employees' knowledge on the issues of safety and labour protection in HO and branches of the Bank, employees of contractual organizations, executing works and rendering services under economic contracts, developed programs of introductory instruction and instruction at working place on the issues of labour safety and protection.

The themes of trainings on the issues of labour safety and protection are approved for 2013. Trainings on the issues of labour safety and protection is prepared and conducted with managers of structural subdivisions (in the volume of 4 hours a year), employees in HO and branches of the Bank (in the volume of 8 hours a year).

The List and the Instructions on Labour Safety and Protection are updated in House Construction Savings Bank of Kazakhstan JSC (in total, 18 Instructions for professions and separated types of works). In each subdivision, a responsible person for labour safety and protection is assigned, operational folders with guiding and methodical materials, books for instruction on labour safety and protection registration at working places are created.

A commission check of labour conditions at working places is organized in structural subdivisions of HO and branches of the Bank (quarterly), condition of electrical safety, order of tangible property storage, fire-fighting conditions in warehouses, condition, repair and maintenance of elevators (1 time a half-year). Quarterly, testing of the fire-fighting water supply, check of hygiene and sanitary conditions of the cafeteria and order of servicing employees and clients of the Bank are conducted.

In October-November 2013, examination of knowledge was prepared and conducted concerning the issues of labour safety and protection by the means of testing in subdivisions of the Head Office and regional branches of the Bank. Issues on labour safety and protection were refining in the process of conducted training and instructing on the Civil Defence and Emergency.

In HO, the room of labour safety and protection was equipped, in branches of the Bank - corners of labour safety and protection. All subdivisions are supplied with the first aid kits in order to provide the first aid.

During the business trips to Kyzylorda, South-Kazakhstan, East-Kazakhstan, Mangistau regional branches, Central branch and branches of the Bank in Almaty city, practical and medical assistance in solving tasks of labour safety and protection was provided.

The events of a breach on the issues of labour safety and protection in the Bank were not observed.



XV. FINANCIAL ACTIVITY AND ACCOUNTING

1. AUDIT REPORT



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INDEPENDENT AUDITOR REPORT

For the shareholder and the management of House Construction Savings Bank of Kazakhstan JSC

We conducted the audit of enclosed financial statement, prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as – «IFRS») by House Construction Savings Bank of Kazakhstan JSC (hereinafter referred to as – «Bank»), which includes statement on financial condition as of December 31, 2013, profit and loss statement, statement of comprehensive income, net worth changes statement and cash flow statement for a year, finished as of specified data, and also an overview of sufficient aspects of account policy and other Notes to the financial statement (hereinafter referred to as – «financial statement»).

MANAGEMENT RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENT

Management bears responsibility for preparation and submission of this financial statement in accordance with IFRS, and also for planning, introduction and support of the appropriate internal control in relation to the financial statement preparation, which shall not contain sufficient misrepresentations due to fraud or mistake.

AUDITOR RESPONSIBILITY

Our responsibility is to express our opinion concerning this financial statement on the basis of the audit, conducted by us. We conducted the audit in compliance with the International Standards of Audit. These standards oblige us to follow ethic norms, and also to plan executing audit in such a way, that provides a reasonable assurance that the financial statement does not contain sufficient misrepresentations.

Audit includes the execution of procedures for obtaining audit evidences for amounts and disclosing information in the financial statement. Selected procedures depend on auditor's consideration, including an assessment of sufficient misrepresentations in the financial statement due to fraud or mistake. In the process of the assessment of above-mentioned risks, the auditor examines internal control system, connected with execution and reliable presentation of the financial statement of the company in order to develop auditing procedures, efficiency of the internal control system of the organization. Audit also includes the assessment of relevancy of applied account policy and validity of accounting assessments, made by the Bank Management, and also the assessment of a presentation of enclosed financial statement.

We consider that auditing evidences, received by us, are sufficient and appropriate to express our opinion.

OPINION

In our opinion, the enclosed financial statement as of December 31, 2013, and for the year, finished at specified data, certainly represents, in all sufficient aspects, the financial condition of House Construction Savings Bank of Kazakhstan JSC as of December 31, 2013 and financial outcomes of its activity, and cash flow for the year, finished as of specified data, in accordance with the International Financial Reporting Standards.



OTHER OUTSTANDING ISSUES

The audit of House Construction Savings Bank of Kazakhstan JSC as of December 31, 2012 and for the year, finished as of specified data, was conducted by other auditor, who expressed an opinion without provisions concerning the specified statement as of March 18, 2013.

Grant Thornton

Republic of Kazakhstan/Almaty City/Limited Liability Partnership/Grant Thornton/



Arman Chigil'bayev

Arman Chigil'bayev
Task Partner



Auditor Certificate of Competence
№ MF-0000487, issued on October 21, 1999

Dosymbekov Yerzhan Talgatovich

Dosymbekov Yerzhan Talgatovich
Director General
Grant Thornton LLP



Auditor Certificate of Competence
№ MF-0000068, on January 20, 2012

State License for audit activity in the territory of the Republic of Kazakhstan: serial MFU-2 №0000087, issued by the Ministry of Finance of the Republic of Kazakhstan on the 21st of June 2012.

February 28, 2014
The Republic of Kazakhstan, Almaty City

2. FINANCIAL STATEMENT OF HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN JSC FOR 2013

2.1. STATEMENT ON FINANCIAL CONDITION

AS OF DECEMBER 31, 2013

In thousand tenge	Rem.	2013	2012
Assets			
Cash and cash equivalents	5	47.121.251	27.366.687
Assets in credit institutions	6	10.667.461	5.737.023
Loans for clients	7	143.888.556	105.819.632
Investment securities			
– available for sale	8	149.207.207	135.937.524
– held to maturity	8	–	6.049.356
Fixed assets	9	2.958.421	2.657.271
Deferred income tax assets	10	761.161	413.454
Other assets		557.921	9.472
Total assets		355.161.978	284.320.419
Liabilities			
Debt to the Government of the Republic of Kazakhstan	11	58.879.568	57.641.749
Assets of clients	12	195.549.631	131.972.537
Other liabilities		2.479.190	2.119.494
Total liabilities:		256.908.389	191.733.780
Capital			
Authorised capital	13	78.300.000	78.300.000
Additional paid capital		12.704.693	12.704.693
Unrealised losses on investment securities, available for sale		(1.306.467)	(1.691.199)
General reserve		2.283.335	1.671.355
Dynamic reserve		1.106.269	–
Surplus earnings, including:		5.165.759	1.601.790
<i>Surplus earnings (uncovered loss) of past years</i>		614.198	(440.046)
<i>Surplus earnings of the accounting period</i>		4.551.561	2.041.836
Total capital		98.253.589	92.586.639
Total liabilities and capital		355.161.978	284.320.419



2.2. PROFIT AND LOSS STATEMENT FOR THE YEAR

FINISHED ON DECEMBER 31, 2013

In thousand tenge	Rem.	2013	2012
Interest earnings			
Loans for clients		9.205.415	6.464.048
Investment securities		6.342.324	3.866.150
Assets in credit institutions		1.241.657	398.338
Assets in the National Bank of the Republic of Kazakhstan		145.714	193.411
		16.935.110	10.921.947
Interest losses			
Assets of clients		(2.417.395)	(1.501.762)
Assets of the Government of the Republic of Kazakhstan		(1.929.819)	(1.663.334)
Assets of other credit institutions		(1.104)	(3.828)
		(4.348.318)	(3.168.924)
Net interest income			
Reserve for loan depreciation	7	(606.290)	(241.143)
Net interest income after reserve for loan depreciation			
		11.980.502	7.511.880
Non-interest incomes			
Net commission income	15	307.389	78.727
Net earnings from operations with investment securities, available for sale		90.315	177.229
Other income		87.060	75.747
Non-interest expenses			
Expenses for personnel	16	(3.757.890)	(3.141.327)
Wear and amortization	9	(317.284)	(241.181)
Other operational expenses	16	(1.399.013)	(1.126.345)
Loss from initial acceptance of financial instruments by the rates, lower than market ones		(493.590)	(1.129.354)
Other expenses		(595.857)	(372.582)
Non-interest expenses			
		(6.563.634)	(6.010.789)
Earnings prior to expenses for income tax			
Saving for income tax	10	95.465	209.042
Earnings a year			
		5.997.097	2.041.836



2.3. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR

FINISHED ON DECEMBER 31, 2013

In thousand tenge	Rem.	2013	2012
Earnings a year		5.997.097	2.041.836
Other comprehensive income			
Unrealised income/(expenses) from operations with investment securities, available for sale, less taxes	13	475.928	(2.286.197)
Realized expenses for operations with investment securities, available for sale, transferred into profit and loss statement, less taxes	13	(91.196)	(189.242)
Other comprehensive income/(loss) for a year, less taxes		384.732	(2.475.439)
Total comprehensive income/(loss) for a year		6.381.829	(433.603)



2.4. CASH FLOW STATEMENT FOR THE YEAR

ON DECEMBER 31, 2013

In thousand tenge	Rem.	2013	2012
Cash flows from operational activity:			
Received interests		15.921.617	10.008.675
Paid interests		(1.910.873)	(1.026.021)
Commission received		622.979	210.643
Commission paid		(315.590)	(131.916)
Expenses for personnel, paid		(3.652.837)	(2.946.581)
Other operational expenses, paid		(2.046.462)	(1.281.224)
Cash flows from operational activity prior to changes in operational assets and liabilities			
<i>Net (increase)/decrease of operational assets</i>		8.618.834	4.833.576
Assets in credit institutions		(5.039.987)	(2.289.430)
Loans for clients		(38.270.866)	(24.050.617)
Other assets		(264.117)	(60.656)
<i>Net increase/(decrease) of operational liabilities</i>		62.377.468	57.135.707
Assets of clients		396.847	13.549
Other liabilities			
Net entry of cash assets from operational activity prior to income tax			
		27.818.179	35.582.129
Income tax, paid	10	(252.242)	(218.017)
Net entry of cash assets from operational activity			
		27.565.937	35.364.112
Cash flows from investment activity			
Purchase of investment securities, available for sale		(72.742.931)	(98.654.271)
Earnings from sale and repayment of investment securities, available for sale		60.148.681	56.097.570
Purchase of investment securities, detained until repayment		–	(12.915.829)
Earnings from repayment of investment securities, detained until repayment		6.074.074	6.841.755
Purchase of fixed assets		(577.738)	(1.244.992)
Earnings from sale of fixed assets	9	1.420	–
Net withdrawal of cash assets in investment activity			
		(7.096.494)	(49.875.767)
Cash flows from financial activity			
Loans, received from the Government of the Republic of Kazakhstan	11	–	12.200.000
Paid Dividend	13	(714.879)	–
Net (withdrawal)/earnings of cash assets from financial activity			
		(714.879)	12.200.000
Net increase/(decrease) of cash assets and cash equivalents			
		19.754.564	(2.311.655)
Cash and cash equivalents as of beginning of year			
		27.366.687	29.678.342
Cash and cash equivalents as of the end of year			
	5	47.121.251	27.366.687

2.5. NET WORTH CHANGES STATEMENT FOR THE YEAR

FINISHED ON DECEMBER 31, 2013

In thousand tenge	Authorised capital	Additional paid capital	Unrealized losses on investment securities, available for sale	General reserve	Dynamic reserve	Surplus earnings	Total capital
December 31, 2011	78.300.000	9.702.711	784.240	729.586	–	(183.673)	89.332.864
Total comprehensive loss for a year	–	–	(2.475.439)	–	–	2.041.836	(433.603)
Transfers (Rem. 13)	–	(685.396)	–	941.769	–	(256.373)	–
Difference between amounts, received from the Government of RK and their reasonable value at the moment of initial recognition	–	3.687.378	–	–	–	–	3.687.378
December 31, 2012	78.300.000	12.704.693	(1.691.199)	1.671.355	–	1.601.790	92.586.639
Total comprehensive income	–	–	384.732	–	–	5.997.097	6.381.829
Additional creation of general reserve (Rem. 13)	–	–	–	611.980	–	(611.980)	–
Creation of dynamic reserve (Rem. 13)	–	–	–	–	1.106.269	(1.106.269)	–
Dividends	–	–	–	–	–	(714.879)	(714.879)
December 31, 2013	78.300.000	12.704.693	(1.306.467)	2.283.335	1.106.269	5.165.759	98.253.589

Dynamic reserve was created at the expense of net profit of 2013 prior to dividend payment in relation to credit risks of the Bank in accordance with the Regulation of the Administration of the National Bank of the Republic of Kazakhstan, issued on May 27, 2013, №137.

Reserve capital was additionally created at the expense of net profit of 2013 prior to dividend payment in relation to credit risks of the Bank in accordance with the decision of the meeting of Baiterек National Management Holding JSC in August 2013, and on the basis of demand of the Administration of the Agency of the Republic of Kazakhstan on Regulation and Supervision over Financial Market and Financial Organizations, issued on August 28, 2009 №196: «On approval of minimal amount of reserve capital for second-tier banks».



XVI. KEY GOALS FOR 2014 – 2018

In accordance with the Bank's Development plan for 2014 – 2018, the achievements of the following key indicators are identified.

Indicator	un.	2014	2015	2016	2017	2018
Conclusion of the contracts on HCS	тыс. ед.	122,0	133,8	157,9	167,2	175,4
Participating performance share in the system of housing construction savings against economically active population of RK	%	5,1	6,5	8,0	9,4	10,9
Housing loan issuing	bln. tenge	60,0	67,7	74,2	96,4	127,3
Bank's Share in the Market of Credits for Construction and Acquisition of Housing, issued by STB and mortgage organizations	%	13,8	14,0	15,1	16,3	17,3
Increase of the Bank's confidence level	%	80	81	81,5	82	83
Increase of recognisability level of HCS and the Bank	%	73	74	75	76	77
Maintenance of clients' level of satisfaction	%	95	95	95	95	95

