House Construction Savings Bank of Kazakhstan JSC

International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report

31 December 2014

(Translated from the Russian original)

Content

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of House Construction Savings Bank of Kazakhstan JSC

We have audited the accompanying financial statements of House Construction Savings Bank of Kazakhstan JSC, which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of House Construction Savings Bank of Kazakhstan JSC as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

3 March 2015
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova
Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Derek Clark
Audit Partner
Assurance Partner
(Certificate of the Institute of Chartered Accountants in Australia №26312; Special Power of Attorney # 38-11 dated 6 October 2011)

Signed by:

Aigule Akhmetova
Auditor in charge
(Qualified Auditor's Certificate №00000083 dated 27 August 2012)

House Construction Savings Bank of Kazakhstan JSC
Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	2014	2013 (restated)	2012 (restated)
ASSETS				
Cash and cash equivalents	6	30,707,667	47,121,251	27,366,687
Trading investments	7	5,110,424	-	-
Due from other banks	8	37,654,713	10,667,461	5,737,023
Loans and advances to customers	9	200,323,848	143,888,556	105,819,632
Investment securities available for sale	10	144,433,224	149,207,207	135,937,524
Held-to-maturity investments		-	-	6,049,356
Premises and equipment	11	3,816,528	2,958,421	2,657,271
Intangible assets	11	485,743	450,577	226,286
Other assets	12	459,873	107,344	113,186
TOTAL ASSETS		**422,992,020**	**354,400,817**	**283,906,965**
LIABILITIES				
Customer accounts	13	251,012,932	195,549,631	131,972,537
Borrowed funds	14	60,101,137	58,879,568	57,641,749
Deferred tax liabilities	21	788,506	812,389	1,338,330
Other liabilities	15	2,907,754	2,479,190	2,119,494
TOTAL LIABILITIES		**314,810,329**	**257,720,778**	**193,072,110**
EQUITY				
Share capital	16	78,300,000	78,300,000	78,300,000
Additional paid-in capital		10,087,682	10,026,675	10,026,675
Revaluation reserve for investment securities available for sale		380,066	(1,306,467)	(1,691,199)
Other reserves		3,389,604	3,389,604	1,671,355
Retained earnings		16,024,339	6,270,227	2,528,024
TOTAL EQUITY		**108,181,691**	**96,680,039**	**90,834,855**
TOTAL LIABILITIES AND EQUITY		**422,992,020**	**354,400,817**	**283,906,965**

Altynbekov Kairat Turekulovich
Acting Chairman of the Board

Kisina Gulnar Karimovna
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2014	2013 (restated)
Interest income	17	25,119,985	16,935,110
Interest expense	17	(5,564,642)	(4,348,318)
Net interest income		**19,555,343**	**12,586,792**
Recovery / (Provision) for loan impairment	9	597,042	(606,290)
Net interest income after recovery/(provision) for loan impairment		**20,152,385**	**11,980,502**
Fee and commission income	18	673,907	622,979
Fee and commission expense	18	(647,451)	(315,590)
Losses on initial recognition of assets at rates below market		(229,793)	(493,588)
Gains less losses from trading securities		(103)	-
Impairment of investment securities available for sale		19,486	(943)
Gains less losses from disposals of investment securities available for sale		(18,956)	91,258
Other operating expenses	19	(688,779)	(508,798)
Administrative and other operating expenses	20	(6,714,689)	(5,474,187)
Profit before tax		**12,546,007**	**5,901,633**
Income tax (expense)/credit	21	(992,718)	273,698
PROFIT FOR THE YEAR		**11,553,289**	**6,175,331**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
- Gains less losses arising from revaluation		1,666,842	475,928
- Gains less losses/(losses less gains) reclassified to profit or loss		19,691	(91,196)
Other comprehensive income for the year		**1,686,533**	**384,732**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,239,822**	**6,560,063**

House Construction Savings Bank of Kazakhstan JSC
Statement of Changes in Equity

In thousands of Kazakhstani Tenge	Note	Share capital	Share premium (restated)	Revaluation reserve for AFS securities	Other reserves	Retained Earnings (restated)	Total equity
Previously reported balance at 1 January 2013		**78,300,000**	**12,704,693**	**(1,691,199)**	**1,671,355**	**1,601,790**	**92,586,639**
Adjusted (note 4)		-	(2,678,018)	-	-	926,234	(1,751,784)
Adjusted at 1 January 2013		**78,300,000**	**10,026,675**	**(1,691,199)**	**1,671,355**	**2,528,024**	**90,834,855**
Profit for the year		-	-	-	-	6,175,331	6,175,331
Other comprehensive income for the year		-	-	384,732	-	-	384,732
Total comprehensive income for 2013		-	-	384,732	-	6,175,331	6,560,063
Dividends paid						(714,879)	(714,879)
Allocation to other reserves					1,718,249	(1,718,249)	-
Balance at 31 December 2013		**78,300,000**	**10,026,675**	**(1,306,467)**	**3,389,604**	**6,270,227**	**96,680,039**
Profit for the year		-	-	-	-	11,553,289	11,553,289
Other comprehensive income for the year		-	-	1,686,533	-	-	1,686,533
Total comprehensive income for 2014		-	-	1,686,533	-	11,553,289	13,239,822
Dividends paid		-	-	-	-	(1,799,177)	(1,799,177)
Discount on loans received from the Government		-	61,007	-	-	-	61,007
Balance at 31 December 2014		**78,300,000**	**10,087,682**	**380,066**	**3,389,604**	**16,024,339**	**108,181,691**

In thousands of Kazakhstani Tenge	Note	2014	2013
Cash flows from operating activities			
Interest received		25,219,657	15,921,617
Interest paid		(3,015,623)	(1,910,873)
Fees and commissions received		673,907	622,979
Fees and commissions paid		(647,451)	(315,590)
Staff costs paid		(4,628,011)	(3,652,837)
Administrative and other operating expenses paid		(2,389,189)	(2,046,462)
Income tax paid		(1,182,709)	(252,242)
Cash flows from operating activities before changes in operating assets and liabilities		**14,030,581**	**8,366,592**
Net increase in:			
- trading securities		(4,980,000)	-
- due from other banks		(25,650,000)	(5,039,987)
- loans and advances to customers		(54,684,085)	(38,270,866)
- other assets		(71,947)	430
Net increase/(decrease) in:			
- customer accounts		54,212,109	62,377,468
- other financial liabilities		417,287	396,847
Net cash from/(used in) operating activities		**(16,726,055)**	**27,830,484**
Cash flows from investing activities			
Acquisition of premises and equipment		(1,172,849)	(577,738)
Acquisition of intangible assets		(225,315)	(264,547)
Proceeds from disposal of premises and equipment		176	1,420
Acquisition of investment securities available for sale		(42,722,682)	(72,742,931)
Proceeds from redemption of investment securities held to maturity		-	6,074,074
Proceeds from disposal and redemption of investment securities available for sale		46,232,318	60,148,681
Net cash from/(used in) investing activities		**2,111,648**	**(7,361,041)**
Cash flows from financing activities			
Dividends paid	16	(1,799,177)	(714,879)
Net cash used in financing activities		**(1,799,177)**	**(714,879)**
Net increase/(decrease) in cash and cash equivalents		**(16,413,584)**	**19,754,564**
Cash and cash equivalents at the beginning of the year	5	47,121,251	27,366,687
Cash and cash equivalents at the end of the year		**30,707,667**	**47,121,251**

1 Introduction

These financial statements of the House Construction Savings Bank of Kazakhstan JSC (the "Bank") are prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2014.

House Construction Savings Bank of Kazakhstan JSC (hereinafter "the "Bank") was established in accordance with Resolution of Government of the Republic of Kazakhstan No.364 dated 16 April 2003 with a 100% state participation in the charter capital for the purpose of development of housing construction savings system in the Republic of Kazakhstan.

The founder of the Bank is the Government of the Republic of Kazakhstan represented by the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan.

In accordance with Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 and Resolution of the Government of Republic of Kazakhstan No.516 dated 25 May 2013, shares of the Bank held by the Government were transferred for payment of outstanding shares of "National managing holding "Baiterek" JSC.

National Managing Holding "Baiterek" JSC is the sole shareholder (the "Parent" or the "Shareholder") of the Bank.

Ultimate controlling party of the Bank is the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 27.

Principal activity. The Bank performs activities to attract depositor funds into housing construction savings, extends various housing loans to depositors, and performs operations on security trading and deposit placement.

In accordance with the Resolution of Government of the Republic of Kazakhstan No.821 dated 21 June 2012 concerning the approval of Affordable Housing-2020 Program, the Bank participates in implementation of this program related to the development of housing construction ensuring affordability of housing to people at large through the system of housing construction savings.

The Bank has the following licenses to conduct its business:

1) License of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA" or "FMSC") for banking and other operations performed by banks, in national and in foreign currencies, No.254/1 dated 20 August 2007;

2) License of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations for dealing on the securities market without right to operate client's accounts, No.0402100283 dated 26 November 2005.

Registered address and place of business. The Bank's registered legal address is: 91, Abylay Khan avenue, 050000, Almaty, Republic of Kazakhstan.

As at 31 December 2014, the Bank had 17 regional branches and 15 service centers throughout Kazakhstan (in 2013: 17 regional branches and 15 service centers).

The Bank is a member of the obligatory collective deposit insurance system in accordance with the Certificate №25 issued by "Kazakhstan Deposit Insurance Fund" JSC. Insurance covers Bank's liabilities to individual depositors for the amount up to Tenge 5,000 thousand for each individual in case of business failure and revocation of the license.

According to the Resolution of the Management Board of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations №162 dated 25 June 2007, the Bank was granted the status of a financial agency.

1 Introduction (continued)

In August 2014, Moody's rating agency affirmed the Bank the following ratings:

- Long-term rating on deposits in the national currency: Baa3 (stable);
- Short-term rating on deposits in the national currency: Prime-3 (stable);
- Rating of financial stability of banks: D- (stable).

In November 2014, Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB+ / Stable;
- Short-term IDR in national currency: F2;
- National Long-term rating: AAA (kaz) / Stable;
- Support Rating: 2;
- The level of support rating: BBB+

Presentation currency. These financial statements are presented in Kazakhstani Tenge.

2 Operating environment of the Bank

Republic of Kazakhstan. The economy of the Republic of Kazakhstan displays some characteristics inherent to emerging markets. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency. The economy is especially sensitive to fluctuation in prices of mineral resources, particularly, of oil and gas. The tax, currency and customs legislation of the Republic of Kazakhstan continue to develop and are subject to varying interpretations.

The Kazakhstan economy is highly connected with economy of the Russian Federation. The negative impact on the Russian economy, due to recent political and economic turmoil witnessed in Russian Federation region, in particular the developments in Ukraine, including current and future international sanctions against Russian companies may have a significant impact on the economy of Kazakhstan, the effect of which is difficult to predict. The Russian Rouble has significantly devalued starting from November 2014.

The remaining uncertainty and volatility of the financial markets and other risks could have negative impact on the Kazakhstan financial and corporate sector. The future economic and regulatory situation may differ from management's expectations. These prospects for future economic stability in Kazakhstan in 2015-2016 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Bank's operations. See Note 27.

The management is unable to predict both the degree and duration of changes in the Kazakhstan economy, or to estimate their possible influence on the financial position of the Bank in the future. The management believes it is taking all necessary measures for to support sustainability and growth of activity of the Bank in the current circumstances.

On 11 February 2014 National Bank of the Republic of Kazakhstan stopped supporting the Tenge exchange rate and decreased currency interventions. As a result, the exchange rate depreciated to 185 Tenge for 1 USD or approximately 19%. The exchange rate has had minimal fluctuations since then.

3 Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

Going concern. Management prepared these financial statements on a going concern basis.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date the average of actual trading prices on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). No transfers between levels of the fair value hierarchy have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs.* Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

3 Summary of significant accounting policies (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the NB RK and all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

3 Summary of significant accounting policies (continued)

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within 12 months.

The Bank may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Bank has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Bank's right to receive the dividend payment is established, and it is probable that the dividends will be collected. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

3 Summary of significant accounting policies (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year.

Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

3 Summary of significant accounting policies (continued)

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Premises	8-100
Vehicles	5 – 7
Office and computer equipment	2 – 10
Other	3 – 20

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

Intangible assets. The Bank's intangible assets primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives:

	Useful lives in years
Licenses	30 – 20
Computer software	1 – 14

Intangible assets with indefinite useful lives are not amortized but tested for annually for impairment.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Borrowed funds. Borrowed funds include loans received from the Government of the Republic of Kazakhstan.

3 Summary of significant accounting policies (continued)

Loans received from the Government are carried at amortised cost. Obligations to return securities borrowed and sold to third parties are carried at fair value through profit or loss.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge and credit comprise current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

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

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3 Summary of significant accounting policies (continued)

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

4 ***Staff costs and related contributions.*** **Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.Critical accounting estimates, and judgments in applying accounting policies**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the period, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4 Critical accounting estimates and judgments in applying accounting policies (continued)

In 2014 management revised its approach to assessing the provision on mortgage loans and adopted a model on which the loans overdue for 90 days or more are classified as impaired, whereas in the past, they used 60 days or more. Management has accounted for the change in approach as a change in accounting estimates and applied prospective approach of accounting. Management considers that as of 31 December 2014 the Bank accumulated more comprehensive historical information and data statistics as compared to past years.

The Bank's portfolio is divided into homogeneous pools of loans by type of loan programs. The mortgage loans with the overdue for 90 days or more (2013: 60 days or more) are classified as impaired. They are evaluated on a basis of expected losses calculated as a difference between carrying value of loans and discounted future cash flows from realisation of collateral against the carrying value of loans. Loss coefficient is calculated as expected loss divided by carrying value of the pool.

Monthly loss ratios relevant for each pool are applied to calculate the impairment.

Restatement. During the year ended 31 December 2014 an error was identified on deferred tax balances related to previously reported periods. During 2011 and 2012 the Bank borrowed funds from JSC "National Welfare Fund "Samruk-Kazyna" ("Samruk-Kazyna") and the Ministry of the Finance of the Republic of Kazakhstan at interest rates below market (see Note 10). The Bank distributed these funds by issuing loans under the State Programs 2005-2007 and 2008-2010 and by placing deposits in second tier banks both at rates below market. In accordance with requirements of IFRS these instruments were initially recognised at fair value leading to temporary differences, on which under IAS 12 "Income Taxes" deferred taxes need to be accounted for.

These deferred taxes were not reflected in previously reported financial statements. Financial statement as of 31 December 2014 represents an effect of the restatement.

The table below represents the effect of the restatement as of 31 December 2013:

In thousands of Kazakhstani Tenge	**As originally presented**	**Restatement**	**31 December 2013 (restated)**
Statement of Financial Position			
Assets			
Deferred tax assets	761,161	(761,161)	-
Liabilities			
Deferred tax liabilities	-	812,389	812,389
Share capital			
Additional paid-in capital	12,704,693	(2,678,018)	10,026,675
Retained earnings	5,165,759	1,104,468	6,270,227
Statement of profit or loss and other comprehensive income			
Income tax credit	95,465	178,233	273,698
Profit for the year	**5,997,098**	**178,233**	**6,175,331**

4 Critical accounting estimates and judgments in applying accounting policies (continued)

The tables below represent the effect of the restatement as of 1 January 2013:

In thousands of Kazakhstani Tenge	As originally presented	Restatement	1 January 2013 (restated)
Statement of Financial Position			
Assets			
Deferred tax assets	413,454	(413,454)	-
Liabilities			
Deferred tax liabilities	-	1,338,330	1,338,330
Share capital			
Additional paid-in capital	12,704,693	(2,678,018)	10,026,675
Retained earnings	1,601,790	926,234	2,528,024
Statement of profit or loss and other comprehensive income			
Income tax credit	209,042	250,054	459,096
Profit for the year	**2,041,836**	**250,054**	**2,291,890**

The restatement had an impact on the information presented in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and Note 21 to these financial statements, and had no impact on any other captions in the statement of cash flows and related note disclosures.

5 New accounting pronouncements

(i) Standards, amendments and interpretations enacted in 2014 and adopted by the Bank:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Bank.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation did not have a material impact on the Bank.

5 New accounting pronouncements (continued)

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on the Bank.

(ii) Standards and interpretations of current standards to be enacted in the periods starting from 1 January 2014 or after this date but not related to the Bank

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

(iii) Standards, amendments and interpretations to the current standards but not enacted yet and not early adopted by the Bank

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Bank has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

5 New accounting pronouncements (continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Bank is currently assessing the impact of the amendments on its financial statements.

5 New accounting pronouncements (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the amendments on its financial statements.

Unless otherwise stated above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

6 Cash and cash equivalents

In thousands of Kazakhstani Tenge	**2014**	**2013**
Reverse sale and repurchase agreements with original maturities of less than three months	18,346,877	31,683,492
Cash balances with the NBRK (other than mandatory reserve deposits)	8,671,241	14,073,309
Cash on hand	1,954,569	722,155
Mandatory cash balances with the NBRK	1,234,604	642,244
Deposits with other banks with original maturity of less than three months	500,000	-
Correspondent accounts in other banks	376	51
Total cash and cash equivalents	**30,707,667**	**47,121,251**

6 Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarized based on Standard and Poor's ratings as follows at 31 December 2014:

In thousands of Kazakhstani Tenge	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts in other banks	Placements with other banks	Reverse sale and repurchase agreement	Total
Neither past due nor impaired					
- National Bank of Kazakhstan	9,905,845	-	-	-	9,905,845
- BBB- to BBB+ rated	-	-	-	13,317,137	13,317,137
- BB- to BB+ rated	-	-	-	5,029,740	5,029,740
- B- to B+ rated	-	376	500,000	-	500,376
Total cash and cash equivalents, excluding cash on hand	**9,905,845**	**376**	**500,000**	**18,346,877**	**28,753,098**

The credit quality of cash and cash equivalents balances analysed based on Standard and Poor's ratings at 31 December 2013, is as follows:

In thousands of Kazakhstani Tenge	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts in other banks	Placements with other banks	Reverse sale and repurchase agreements	Total
Neither past due nor impaired					
- National Bank of Kazakhstan	14,715,553	-	-	-	14,715,553
- BBB- to BBB+ rated	-	-	-	28,332,868	28,332,868
- BB- to BB+ rated	-	-	-	3,350,624	3,350,624
- B- to B+ rated	-	51	-	-	51
Total cash and cash equivalents, excluding cash on hand	**14,715,553**	**51**	**-**	**31,683,492**	**46,399,096**

Credit ratings are based on Standard and Poor's ratings where available or Moody's rating, which is then converted to the nearest equivalent on the Standard and Poor's rating scale.

Bank has the right to sell or re-pledge securities with a fair value of 18,346,877 thousand Tenge (2013: Tenge 31,683,492 thousand) received under reverse sale and repurchase agreements. As of 31 December 2014 Bank had three counterparty banks (2013: two counterparty banks) with total cash and cash equivalents, exceeding Tenge 500,000 thousand. The aggregate amount of these balances was Tenge 15,435,854 thousand (2013: Tenge 18,066,177 thousand), or 74 % of cash and cash equivalents (2013: 39%).

Interest rate analysis of cash and cash equivalents is disclosed in Note 22. Information on transactions with related parties is disclosed in Note 27.

7 Trading securities

In thousands of Kazakhstani Tenge	2014	2013
Corporate bonds	5,110,424	-
Total debt trading securities	**5,110,424**	**-**

As trading securities are carried at their fair values based on observable market data, Bank does not analyse or monitor impairment indicators. Analysis by credit quality of debt trading securities is as follows at 31 December 2014:

In thousands of Kazakhstani Tenge	2014	2013
Neither past due nor impaired (at fair value)		
Corporate bonds		
- BBB- to BBB+ rated	2,777,065	-
- BB- to BB+ rated	2,333,359	-
Total neither past due nor impaired	**5,110,424**	**-**

Credit ratings are based on Standard and Poor's ratings where available or Moody's rating, which is then converted to the nearest equivalent on the Standard and Poor's rating scale.

Debt securities are not collateralized.

8 Due from other banks

In thousands of Kazakhstani Tenge	2014	2013
Placements with other banks with original maturities of more than three months	37,654,713	10,667,461
Total due from other banks	**37,654,713**	**10,667,461**

Due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	Placements with other banks
Neither past due nor impaired	
- BBB- to BBB+ rated	11,111,222
- BB- to BB+ rated	6,438,344
- B- to B+ rated	20,105,147
Total due from other banks, neither past due nor impaired	**37,654,713**

The analysis of due from other banks according to credit quality outstanding at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	Placements with other banks
BB- to BB+ rated	3,578,514
B- to B+ rated	7,088,947
Total due from other banks, neither past due nor impaired	**10,667,461**

8 Due from other banks (continued)

The credit ratings are based on Standard and Poor's ratings where available, or Moody's rating converted to the nearest equivalent on the Standard and Poor's rating scale.

As of 31 December 2014, the Bank had cash balances in twelve counterparty banks (2013: four banks) with total cash exceeding Tenge 1,000,208 thousand (2013: Tenge 1,002,000 thousand). The total aggregate amount of these balances was Tenge 37,145,214 thousand (2013: Tenge 9,666,834 thousand), or 99% of the total amount held in other banks (2013: 91%).

Refer to Note 24 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

9 Loans and advances to customers

In thousands of Kazakhstani Tenge	2014	2013
Housing loans	45,471,940	26,604,737
Preliminary housing loans	42,897,630	37,720,593
Interim housing loans	55,101,760	21,538,780
Preliminary and interim housing loans under governmental program	57,966,692	60,166,779
Less: Provision for loan impairment	(1,114,174)	(2,142,333)
Total loans and advances to customers	**200,323,848**	**143,888,556**

According to tariff programs of the Bank, housing loans proposed to the population have a rate of 3.5% to 5%. These loans are granted when 50% of savings of the contractual amount are available at the savings account of the potential borrower subject to reaching the estimated figure and meeting the minimum period of savings which is not less than three years. The savings rate is 2%. The Bank believes that the fair value of the financial instrument which includes both the deposit and the related loan, upon initial recognition, are not significantly different from the deposit value at its initial recognition. As a result, the Bank does not discount deposits and associated loan.

According to judgments of the Bank, interest rate on preliminary, interim, housing loans granted by the Bank are market rates considering transactions that are based on arm's-length arrangements and absence of similar products at Kazakhstan market excluding preliminary and interim loans granted by the Bank under below market interest rates as part of the government programs.

Preliminary and interim loans granted by the Bank as part of the government programs are initially recognized at the average weighted rate determined for the loan portfolio of the Bank, except for preliminary and interim loans granted by the Bank under below market interest rates as part of the government programs.

Loans received from the Government of the Republic of Kazakhstan and deposits placed with commercial banks at the interest rate, that is on the contractual terms significantly different from the average market interest rate on loans/placements with similar maturity and interest rate terms, are recognized in the financial statement at fair value.

During 2014 in the profit or loss for the year there was recorded a loss in the amount of 229,793 thousand tenge (2013: 381,368 thousand tenge) from the initial recognition of loans at below market rates.

As of December 31, 2014, the Bank had Top 10 borrowers (2013: Top 10 borrowers) with total loan amounts exceeding Tenge 46,401 thousand. The aggregate amount of these loans was Tenge 559,825 thousand (2013: Tenge 393,876 thousand), or 0.28% loan portfolio before allowance for loan impairment (2013: 0.27%).

9 Loans and advances to customers (continued)

Movements in the provision for loan impairment during 2014 and 20133 are as follows:

In thousands of Kazakhstani Tenge	2014	2013
Provision for loan impairment at 1 January	**2,142,333**	**1,107,625**
(Recovery of)/provision for impairment during the year	(597,042)	606,290
Amounts written off during the year as uncollectible	(431,117)	428,418
Provision for loan impairment at 31 December	**1,114,174**	**2,142,333**

All loans were issued to individuals.

Information about collateral at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Unsecured loans	3,693	22,695	27,313	21,724	75,425
Loans guaranteed by other individuals	730,949	46,736	1,213,135	-	1,990,820
Loans collateralised by:					
- residential real estate	44,377,998	42,506,804	52,641,931	57,773,146	197,299,879
- land	285,687	120,001	318,605	-	724,293
- other real estate	3,444	16,005	11,949	-	31,398
- cash deposits	28,090	20,702	64,062	47,698	160,552
- residential real estate, deposits and guarantees (multi-collateral)	13,643	1,496	-	26,342	41,481
Total loans and advances to customers	**45,443,504**	**42,734,439**	**54,276,995**	**57,868,910**	**200,323,848**

Information about collateral at 31 December 2013 is as follows:

In thousands of Kazakhstani Tenge	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Unsecured loans	-	341	24,887	-	25,228
Loans guaranteed by other individuals	8,536	17,310	30,856	-	56,702
Loans collateralised by:					
- residential real estate	26,371,187	36,902,265	20,238,316	59,893,250	143,405,018
- land	115,306	124,066	82,881		322,253
- other real estate	6,823	15,785	-	-	22,608
- cash deposits and guarantees	30,685	4,798	21,264	-	56,747
Total loans and advances to customers	**26,532,537**	**37,064,565**	**20,398,204**	**59,893,250**	**143,888,556**

Loans with collateral in the form of commercial real estate are categorized as other real estate.

9 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	**Housing loans**	**Preliminary housing loans**	**Interim housing loans**	**Preliminary and interim housing loans under gov. program**	**Total**
Neither past due nor impaired					
- Loans to individuals	44,673,431	41,690,776	53,651,246	56,567,836	196,583,289
Total neither past due nor impaired	**44,673,431**	**41,690,776**	**53,651,246**	**56,567,836**	**196,583,289**
Past due but not impaired					
- less than 30 days overdue	574,811	641,046	560,657	1,157,529	2,934,043
- 30 to 90 days overdue	157,952	193,673	86,444	198,150	636,219
Total past due but not impaired	**732,763**	**834,719**	**647,101**	**1,355,679**	**3,570,262**
Loans individually determined to be impaired (gross)					
- 91 to 180 days overdue	32,096	63,631	55,648	27,300	178,675
- 181 to 360 days overdue	17,085	6,117	39,255	7,900	70,357
- over 360 days overdue	16,565	302,387	708,510	7,977	1,035,439
Total individually impaired loans (gross)	**65,746**	**372,135**	**803,413**	**43,177**	**1,284,471**
Less impairment provisions	**(28,436)**	**(163,191)**	**(824,765)**	**(97,782)**	**(1,114,174)**
Total loans and advances to customers	**45,443,504**	**42,734,439**	**54,276,995**	**57,868,910**	**200,323,848**

9 Loans and advances to customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	Housing loans	Preliminary housing loans	Interim housing loans	Preliminary and interim housing loans under gov. program	Total
Neither past due nor impaired					
- Loans to individuals	26,276,875	36,972,276	20,234,574	59,303,849	142,787,574
Total neither past due nor impaired	**26,276,875**	**36,972,276**	**20,234,574**	**59,303,849**	**142,787,574**
Past due but not impaired					
- less than 30 days overdue	252,015	322,316	214,303	710,371	1,499,005
- 30 to 90 days overdue	50,449	77,598	15,365	47,690	191,102
Total past due but not impaired	**302,464**	**399,914**	**229,668**	**758,061**	**1,690,107**
Loans individually determined to be impaired (gross)					
- no payment delay	6,350	5,290	-	72,991	84,631
- 30 to 90 days overdue	3,564	3,646	3,328	18,316	28,854
- 91 to 180 days overdue	10,346	10,901	8,810	3,764	33,821
- 181 to 360 days overdue	1,315	64,324	21,568	-	87,207
- over 360 days overdue	3,823	264,243	1,040,831	9,798	1,318,695
Total individually impaired loans (gross)	**25,398**	**348,404**	**1,074,537**	**104,869**	**1,553,208**
Less impairment provisions	**(72,200)**	**(656,029)**	**(1,140,575)**	**(273,529)**	**(2,142,333)**
Total loans and advances to customers	**26,532,537**	**37,064,565**	**20,398,204**	**59,893,250**	**143,888,556**

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if there is any. Based on this, the ageing analysis of loans that are individually determined as impaired is presented above.

Past due, but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

9 Loans and advances to customers (continued)

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The effect of collateral at 31 December 2014:

	Over-collateralised assets		Under-collateralised assets	
In thousands of Kazakhstani Tenge	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Housing loans	45,322,421	232,946,217	111,989	20,710
Preliminary housing loans	42,562,415	86,168,826	193,479	101,447
Interim housing loans	54,029,973	67,573,891	307,131	84,217
Preliminary and interim housing loans under governmental program	57,629,038	174,155,739	270,753	149,589

The effect of collateral at 31 December 2013:

	Over-collateralised assets		Under-collateralised assets	
In thousands of Kazakhstani Tenge	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Housing loans	26,465,994	128,145,500	66,543	39,344
Preliminary housing loans	36,858,577	81,177,228	205,987	139,431
Interim housing loans	20,261,450	26,666,539	136,755	62,225
Preliminary and interim housing loans under governmental program	59,691,495	180,483,588	201,755	152,819

The amount of real estate taken into account as collateral (revaluation every six months) and the amount of monetary deposits are deducted from the carrying value of the portfolio. The Bank signed a contract with an independent appraiser LLP «Pro-osenka» for an independent evaluation of residential properties.

10 Investment securities available for sale

In thousands of Kazakhstani Tenge	**2014**	**2013**
Government bonds of Ministry of Finance of RK	116,770,260	142,414,600
Corporate bonds	12,971,919	759,001
Bonds issued by "Samruk-Kazyna" National Welfare Fund" JSC	9,185,246	2,159,053
Bonds issued by international financial organizations	2,080,871	2,080,879
Bonds issued by Kazakhstani credit institutions separate from banks	1,927,876	278,143
Bonds issued by Kazakhstani banks	1,495,576	1,513,698
Total debt securities	**144,431,748**	**149,205,374**
Corporate shares	1,476	1,833
Total investment securities available for sale	**144,433,224**	**149,207,207**

10 Investment securities available for sale (continued)

Analysis by credit quality of debt securities available for sale outstanding at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	Government bonds of Ministry of Finance of RK	Corporate bonds	Bonds issued by "Samruk-Kazyna" National Welfare Fund" JSC	Bonds issued by international financial organizations	Bonds issued by Kazakhstani banks	Bonds issued by Kazakhstani credit institutions other than banks
Neither past due nor impaired						
- BBB- to BBB+ rated	116,770,260	12,971,919	9,185,246	2,080,871	-	1,630,981
- BB- to BB+ rated	-	-	-	-	996,664	-
- B- to B+ rated	-	-	-	-	498,912	-
- Unrated	-	-	-	-	-	296,894
Total neither past due nor impaired	**116,770,260**	**12,971,919**	**9,185,246**	**2,080,871**	**1,495,576**	**1,927,876**
Debt securities individually determined to be impaired (gross)						
- over 360 days overdue	-	675,534	-	-	-	421,068
Total individually impaired debt securities	**-**	**675,534**	**-**	**-**	**-**	**421,068**
Provision for impairment	**-**	**(675,534)**	**-**	**-**	**-**	**(421,068)**
Total debt securities available for sale	**116,770,260**	**12,971,919**	**9,185,246**	**2,080,871**	**1,495,576**	**1,927,876**

10 Investment securities available for sale (continued)

Analysis by credit quality of debt securities available for sale outstanding at 31 December 2013 is as follows:

In thousands of Kazakhstani Tenge	**Government bonds of Ministry of Finance of RK**	**Corporate bonds**	**Bonds issued by "Samruk-Kazyna" National Welfare Fund" JSC**	**Bonds issued by international financial organizations**	**Bonds issued by Kazakhstani banks**	**Bonds issued by Kazakhstani credit institutions other than banks**
Neither past due nor impaired						
- BBB- to BBB+ rated	142,414,600	759,001	2,159,053	2,080,879	-	-
- BB- to BB+ rated	-	-	-	-	1,027,520	-
- B- to B+ rated	-	-	-	-	486,178	-
- Unrated	-	-	-	-	-	278,143
Total neither past due nor impaired	**142,414,600**	**759,001**	**2,159,053**	**2,080,879**	**1,513,698**	**278,143**
Debt securities individually determined to be impaired (gross)						
- over 360 days overdue	-	675,534	-	-	-	421,068
Total individually impaired debt securities	**-**	**675,534**	**-**	**-**	**-**	**421,068**
Provision for impairment	**-**	**(675,534)**	**-**	**-**	**-**	**(421,068)**
Total debt securities available for sale	**142,414,600**	**759,001**	**2,159,053**	**2,080,879**	**1,513,698**	**278,143**

The credit ratings are based on Standard and Poor's ratings or Moody's rating converted to the nearest equivalent on the Standard and Poor's rating scale.

10 Investments securities available for sale (continued)

The primary factor that the Bank considers in determining whether a debt security is impaired is its overdue status. As a result, the Bank presents above an ageing analysis of debt securities that are individually determined to be impaired.

The debt securities are not collateralised.

The movements in investment securities available for sale are as follows:

In thousands of Kazakhstani Tenge	Note	2014	2013
Carrying amount at 1 January		**149,207,207**	**135,937,524**
Fair value gains less losses		1,686,533	384,732
Interest income accrued	16	7,067,982	6,317,606
Interest income received		(5,540,076)	(4,812,848)
Purchases		42,722,682	72,742,931
Disposals of investment securities available for sale		(46,232,318)	(60,148,681)
Changes in the discount/premium		(4,479,316)	(1,304,372)
Recovery		-	738,402
Impairment provision		530	(648,087)
Carrying amount at 31 December		**144,433,224**	**149,207,207**

Interest rate analysis of investment securities available for sale is disclosed in Note 22. Information on related party debt investment securities available for sale is disclosed in Note 27.

11 Premises and equipment and intangible assets

Below is presented movement of property, plant and equipment:

In thousands of Kazakhstani Tenge	Land and buildings	Office and computer equipment	Vehicles	Construction in progress	Total
Cost at 1 January 2012	1,177,108	1,239,828	118,706	948,214	**3,483,856**
Accumulated depreciation	(64,446)	(689,525)	(72,614)	-	**(826,585)**
Carrying amount at 1 January 2013	**1,112,662**	**550,303**	**46,092**	**948,214**	**2,657,271**
Additions	-	868	-	576,870	**577,738**
Disposals	-	(113,984)	(4,713)	-	**(118,697)**
Transfer between categories	-	3,830	-	(3,830)	-
Depreciation charge	(47,447)	(213,780)	(15,361)	-	**(276,588)**
Accumulated depreciation disposal		113,984	4,713	-	**118,697**
Others	1,058,444	424,515	25,910	(1,508,869)	-
Carrying amount at 31 December 2013	**2,123,659**	**765,736**	**56,641**	**12,385**	**2,958,421**
Cost at 31 December 2013	2,235,552	1,555,057	139,903	12,385	**3,942,897**
Accumulated depreciation	(111,893)	(789,321)	(83,262)	-	**(984,476)**
Carrying amount at 1 January 2014	**2,123,659**	**765,736**	**56,641**	**12,385**	**2,958,421**
Additions	8,392	-	-	1,164,457	**1,172,849**
Disposals	-	(46,071)	-	-	**(46,071)**
Transfer between categories	-	976	-	-	**976**
Depreciation charge	(54,099)	(250,528)	(11,091)	-	**(315,718)**
Accumulated depreciation disposal	-	46,071	-	-	**46,071**
Others	442,687	597,113	8	(1,039,808)	-
Carrying amount at 31 December 2014	**2,520,639**	**1,113,297**	**45,558**	**137,034**	**3,816,528**
Cost at 31 December 2014	2,686,631	2,107,075	139,911	137,034	**5,070,651**
Accumulated depreciation	(165,992)	(993,778)	(94,353)	-	**(1,254,123)**
Carrying amount at 31 December 2014	**2,520,639**	**1,113,297**	**45,558**	**137,034**	**3,816,528**

Not-installed fixed assets mainly consist of construction and reconstruction of branches' facilities and equipment. Upon completion, these assets are transferred to fixed assets.

11 Premises and equipment and intangible assets (continued)

In thousands of Kazakhstani Tenge	PC Software Licenses	Internally developed software	Other intangible assets	Total
Cost at 1 January 2012	124,167	223,177	65,709	**413,053**
Accumulated depreciation	(1,368)	(185,399)	-	**(186,767)**
Carrying amount at 1 January 2013	**122,799**	**37,778**	**65,709**	**226,286**
Additions	-	73	264,474	**264,547**
Disposals	-	-	4,274	**4,274**
Transfer between categories	-	(90,404)	-	**(90,404)**
Depreciation charge	(6,177)	(38,353)	-	**(44,530)**
Accumulated depreciation disposal	-	90,404	-	**90,404**
Others	86,775	199,251	(286,026)	**-**
Carrying amount at 31 December 2013	**203,397**	**198,749**	**48,431**	**450,577**
Cost at 31 December 2013	210,922	332,120	48,431	**591,473**
Accumulated depreciation	(7,525)	(133,371)	-	**(140,896)**
Carrying amount at 1 January 2014	**203,397**	**198,749**	**48,431**	**450,577**
Additions	-	-	225,315	**225,315**
Disposals				**-**
Transfer between categories	-	-	(976)	**(976)**
Depreciation charge	(28,372)	(140,313)	-	**(168,685)**
Accumulated depreciation disposal				
Others	56,709	148,005	(225,202)	**(20,488)**
Carrying amount at 31 December 2014	**231,734**	**206,441**	**47,568**	**485,743**
Cost at 31 December 2014	267,631	480,125	47,568	**795,324**
Accumulated depreciation	(35,897)	(273,684)	-	**(309,581)**
Carrying amount at 31 December 2014	**231,734**	**206,441**	**47,568**	**485,743**

12 Other assets

In thousands of Kazakhstani Tenge	2014	2013
Receivables on banking activity	42,008	39,464
Less: impairment provision	(1,226)	(64)
Total other financial assets	**40,782**	**39,400**
Prepayments for capital expenditures	158,555	15,192
Prepayments for taxes excluding profit tax	151,824	831
Inventory and other materials	56,885	24,797
Prepayments for services	44,516	23,198
Other	7,311	3,926
Total other assets	**459,873**	**107,344**

13 Customer accounts

Customer accounts include amounts on currents accounts and term deposits of individuals and presented as follows:

In thousands of Kazakhstani Tenge	2014	2013
Individuals		
Long-term deposits	201,770,514	169,972,949
Current accounts	2,057,563	2,076,188
Customer accounts	**203,828,077**	**172,049,137**
Deposits served as collateral on loans given	47,184,855	23,500,494
Total customer accounts	**251,012,932**	**195,549,631**

At 31 December 2014 customer accounts in amount of Tenge 294,022 thousands (0.1%) represented accounts of ten major clients (Tenge 238,836 thousands (0.1%) at 31 December 2013).

According to the terms of the Contract on house construction savings, the Bank depositors have the right to receive housing loan in the amount equal to a difference between contract amount and their accumulated deposits, estimated fees and state premium based on the decision of government, in the case if all requirements of signed contract of house construction savings are fulfilled.

Annually the government provides premiums on house construction savings of depositors from the government budget, including estimated fees not exceeding 20% of 200 monthly calculation indexes per one depositor to encourage house construction savings in Kazakhstan.

Recording and placement of amounts of government premium into account of depositors takes place only after its actual receipt from Committee on construction of housing and utilities and land resources management of the Ministry of National Economy (2013: Ministry of Finance of the Republic of Kazakhstan).

The Banks does not have any obligations to depositors in case if Committee does not transfer the government premium on the Bank's account.

Refer to Note 24 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

14 Borrowed funds

In thousands of Kazakhstani Tenge	2014	2013
Ministry of Finance of the Republic of Kazakhstan	32,826,661	26,340,827
"Samruk Kazyna" National Welfare Fund " JSC	27,274,476	32,538,741
Total borrowed funds	**60,101,137**	**58,879,568**

In 2008, under the governmental budget program "Crediting of implementing the State program of housing construction in the Republic of Kazakhstan", the Bank has received a loan from the Ministry of Finance in the amount of Tenge 23,560,000 thousand for a period of ten years and interest rate of 1% per annum, payable semi-annually. Principal amount of the loan will be repaid in 2018. The purpose of this loan is to finance the Bank of preliminary and interim housing loans priority population groups defined by the national program, at the interest rate of 4% per annum.

In 2011, the Bank received a loan from the Fund "Samruk-Kazyna" in the amount of Tenge 19,040,000 thousand with an interest rate of 1% per annum. Principal amount received in 2011 loans payable after the maturity date 30 November 2021, and the rewards is payable every six months. Targeted use of these loans is to provide the Bank of preliminary and interim housing loans priority population groups defined by the national program, at the interest rate of 4% per annum.

In 2012 from the governmental budget by the Bank obtained a loan in the amount of 12,200,000 thousand tenge with an interest rate of 1% per annum for the program "Affordable Housing - 2020" related to the development of housing that provide affordable housing to the general public through the system of housing construction savings. Targeted use of this loan is to provide the Bank of preliminary and intermediary housing loans to participants of the program "Affordable Housing - 2020", the interest rate which should not exceed 9% and 8%, respectively. Principal amount of the loan received in 2012, to be paid after maturity 1 July 2023, and the reward shall be payable semiannually. In accordance with the program "Affordable Housing - 2020" for the purchase of housing at the expense of the Bank's loans using funds from the national budget Participants in the program must meet the requirements set out in the Programme. Resources generated due to early repayment of loans issued through the above resources, the Bank can be used to make loans on their market programs.

15 Other liabilities

Other liabilities comprise the following:

In thousands of Kazakhstani Tenge	2014	2013
Accounts payable for banking activities	2,100,235	1,672,256
Total other financial liabilities	**2,100,235**	**1,672,256**
Accrued employee benefits costs	383,770	563,722
Accrued expenses for administrative activities	249,037	135,283
Taxes payable other than income tax	19,318	46,622
Others	155,394	61,307
Total other liabilities	**2,907,754**	**2,479,190**

The fair value of each class of other financial liabilities is disclosed in Note 24.

16 Share capital

In thousands of Kazakhstani Tenge except for number of shares	Shares (thousands of units)	Ordinary shares	Total
At 1 January 2013	**7,830**	**78,300,000**	**78,300,000**
New shares issued	-	-	-
At 31 December 2013	**7,830**	**78,300,000**	**78,300,000**
At 1 January 2014	**7,830**	**78,300,000**	**78,300,000**
New shares issued	-	-	-
At 1 January 2014	**7,830**	**78,300,000**	**78,300,000**

On 29 May 2014 on the shareholders meeting the Bank declared dividends for the total amount of Tenge 1,799,177 thousands for the results of the year ended 31 December 2013. Total amount of dividends was fully paid on 22 August 2014.

29 July 2013 on the shareholders meeting the Bank declared dividends for the total amount of 714,879 thousands Tenge for the results of the year ended 31 December 2012. Total amount of dividends was fully paid on 7 August 2013.

17 Interest income and expenses

In thousands of Kazakhstani Tenge	2014	2013
Interest income		
Loans to customers	12,194,998	9,205,415
Debt investment securities available for sale	7,067,982	6,317,606
Due from other banks	5,180,929	1,241,657
Trading securities	349,534	-
Due from National Bank of the Republic of Kazakhstan	326,542	145,714
Investment securities held to maturity	-	24,718
Total interest income	**25,119,985**	**16,935,110**
Interest expense		
Customer accounts	(3,574,807)	(2,417,395)
Borrowed funds	(1,989,827)	(1,929,819)
Due from other banks	(8)	(1,104)
Total interest expense	**(5,564,642)**	**(4,348,318)**
Net interest income	**19,555,343**	**12,586,792**

18 Fee and commission income and expenses

In thousands of Kazakhstani Tenge	2014	2013
Commission income		
Fiduciary activities (bank accounts attraction, opening and management services)	342,010	304,948
Cash transaction	216,786	136,541
Conversion operations	38,684	24,605
Agency services rewards	9,450	1,044
Others	66,977	155,841
Total commission income	**673,907**	**622,979**
Commission expense		
Agent commission	(620,056)	(256,608)
Settlement transactions	(2,669)	(34,575)
Transactions with securities	(7,696)	(10,135)
Others	(17,030)	(14,272)
Total commission expense	**(647,451)**	**(315,590)**
Net commission income	**26,456**	**307,389**

19 Other operating expenses

In thousands of Kazakhstani Tenge	2014	2013
Expenses in form of contributions into the Kazakhstan Fund of Deposits Insurance JSC	629,732	550,150
Other	59,047	(41,352)
Total other operating expense	**688,779**	**508,798**

20 Administrative and other general expenses

Administrative and general expenses include:

In thousands of Kazakhstani Tenge	2014	2013
Salary and bonuses	3,637,998	3,070,166
Social tax contributions	395,308	330,906
Other payments	414,753	330,182
Staff costs	**4,448,059**	**3,731,254**
Depreciation	484,403	317,284
Advertising and marketing services	261,610	420,908
Rent expense	181,047	143,303
Current repair expenses	176,099	31,466
Taxes other than on income	171,342	140,075
Communication services	135,656	126,790
Business trip	101,856	42,090
Security services	92,034	77,834
Technical maintenance	64,505	54,404
Materials	49,654	63,275
Insurance	43,654	36,373
Expenses on construction contracts	39,098	35,420
Transportation expense	30,785	20,846
Professional services	28,333	39,753
Cash collection expense	26,456	26,422
Other	380,098	113,418
Total administrative and other operating expenses	**6,714,689**	**5,474,187**

21 Income taxes

Income tax expense and benefit represented in profit and losses for the period includes the following components:

In thousands of Kazakhstani Tenge	2014	2013 (restated)
Current income tax charge	1,031,852	252,242
Deferred income tax /(benefit)	(39,134)	(525,940)
Income tax expense/(benefit) for the year	**992,718**	**(273,698)**

The income tax rate applicable to the majority of the Banks's 2014 income is 20% (2013: 20%).

21 Income taxes (continued)

The effective interest rate differs from statutory income tax rate. A reconciliation of income tax expense based on statutory rates with actual expenditures:

In thousands of Kazakhstani Tenge	2014	2013
Profit before tax	12,546,007	5,901,633
Statutory tax rate	20%	20%
Theoretical tax charge at statutory rate	**2,509,201**	**1,180,327**
Non-taxable income on state securities and securities at the highest and next to the highest listing categories	(1 483 588)	(1,286,716)
Other permanent differences	(32,895)	(167,309)
Income tax expense/(benefit) for the year	**992,718**	**(273,698)**

Differences between IFRS and statutory taxation regulations in Kazakhstan lead to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

(в тысячах казахстанских тенге)	1 January 2012 (restated)	Credited/ (charged) to profit or loss	31 December 2013 (restated)	Credited/ (charged) to profit or loss	Credited/ (charged) directly to equity	31 December 2014
Tax effect of deductible temporary differences						
Difference arising from initial recognition of financial assets below market rate	564,390	174,623	739,013	179,723	-	918,736
Accrued commission and interest income	581,536	(69,330)	512,206	(110,650)		401,556
Unused vacation	15,864	11,183	27,047	20,060	-	47,107
Deferred tax assets	**1,161,790**	**116,476**	**1,278,266**	**89,133**	**-**	**1,367,399**
Tax effect of taxable temporary differences						
Provisions for impairment of loans and advances to customers	(29,449)	29,449	-	-	-	-
Difference arising from initial recognition of financial liabilities below market rate	(2,333,320)	247,564	(2,085,756)	259,565	(15,251)	(1,841,442)
Premises and equipment and intangible assets	(62,215)	(69,469)	(131,684)	(40,091)	-	(171,775)
Others	(75,136)	201,921	126,785	(269,473)	-	(142,688)
Deferred tax liabilities	**(2,500,120)**	**409,465**	**(2,090,655)**	**(49,999)**	**(15,251)**	**(2,155,905)**
Net deferred tax (liabilities)/assets	**(1,338,330)**	**525,941**	**(812,389)**	**39,134**	**(15,251)**	**(788,506)**

22 Financial risk management

The risk management function within the Bank is carried out in respect of financial risks and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational risks.

22 Financial risk management (continued)

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 25. The credit risk is mitigated by collateral and other credit enhancements.

The Bank structures the levels of credit risk it undertakes by placing limits on the aggregate amount of lending to one borrower, authority of Credit Committee of Bank's branches, volume of loans guaranteed by physical persons, maximum rate of non-performing loans in the loan portfolio and by placing limits on industry segments.

Limits are approved by Credit Committee of the Bank/Management of the Bank/Board of Directors of the Bank. Such risks are monitored on a regular basis, and the limits are reviewed at least once a year.

The Bank established a number of credit committees which are responsible for approving credit limits for individual borrowers:

- Bank Credit Committee is a regular collegial body at the Central Office of the Bank with the main objectives of realization of the Bank's internal credit policy and making any credit decisions on lending of Bank's customers. The Committee meets on ad hoc basis but at least once a month;

- Branch Credit Committee branch is a regular collegial body at the branch of the Bank with the main objective of implementation of the Bank's credit policy and making any credit decisions on lending of Bank's customers within the established limits. The Committee meets on ad hoc basis but not more than once a day.

In order to monitor credit risk exposures, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure to customers with deteriorating creditworthiness are reported to, and reviewed by, the Board of Directors. Management monitors and controls overdue balances.

The Bank's credit department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 8, 9 и 10.

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

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions interest rates products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

22 Financial risk management (continued)

Currency risk. In 2014 the Bank did not conduct foreign exchange transactions except for the purchase of foreign currency for fulfillment of liabilities under the administrative and economic contracts. Bank does not have a portfolio of financial instruments denominated foreign currency or the value of which depends on the foreign exchange rate.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates. As of 31 December 2014 Bank has government investment securities for the amount of Tenge 114,418,914 thousand (2013: Tenge 140,470,300 thousand).

In thousands of Kazakhstani Tenge	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2014						
Total financial assets	26,508,572	43,832,679	15,868,466	326,899,275	0	413,108,992
Total financial liabilities	70,926,340	22,056,042	22,145,915	201,631,406	0	316,759,703
Net interest sensitivity gap at 31 December 2014	**(44,417,768)**	**21,776,637**	**(6,277,449)**	**125,267,869**	**0**	**96,349,289**
31 December 2013						
Total financial assets	47,202,889	25,884,980	25,375,093	252,368,307	0	350,831,269
Total financial liabilities	46,656,124	14,088,599	19,432,444	181,557,023	0	261,734,190
Net interest sensitivity gap at 31 December 2013	**546,765**	**11,796,381**	**5,942,649**	**70,811,284**	**0**	**89,097,079**

At 31 December 2014, if interest rates at that date had been 200 basis points lower (2013: 200 basis points lower) with all other variables held constant, profit for the year would have been Tenge 405,263 thousand (2013: nil) higher, mainly as a result of higher fair value of debt trading and other securities at fair value through profit or loss. Other components of equity would have been Tenge 10,353,140 thousand (2013: Tenge 8,611,518 thousand) higher, mainly as a result of an increase in the fair value of fixed rate financial assets classified as available for sale.

If interest rates had been 200 basis points higher (2013: 200 basis points higher), with all other variables held constant, profit would have been Tenge 367,380 thousand (2013: nil) lower, mainly as a result of lower fair value of debt trading and other securities at fair value through profit or loss. Other components of equity would have been Tenge 9,261,290 thousand (2013: Tenge 7,744,983 thousand) lower, mainly as a result of a decrease in the fair value of fixed rate financial assets classified as available for sale.

22 Financial risk management (continued)

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

In % p.a.	2014	2013
Assets		
Cash and cash equivalents	11.80%	7.55%
Due from other banks	7.82%	4.22%
Loans to other banks	-	-
Debt trading securities	8.36%	-
Debt investment securities available for sale	5.84%	4.34%
Loans and advances to customers	6.88%	6.63%
Liabilities		
Customer accounts	2.00%	2.00%
Borrowings from the Government of Kazakhstan	1.00%	1.00%
Borrowings from Samruk Kazyna	1.00%	1.00%

Other price risk. In 2014 Bank did not conduct operations with equity shares. There were no active operations and transactions that would indicate potential decrease in value.

The Bank is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Bank's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2013: no material impact).

22 Financial risk management (continued)

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

In thousands of Kazakhstani Tenge	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	30,707,667	-	-	30,707,667
Trading securities	5,110,424	-	-	5,110,424
Due from other banks	37,654,713	-	-	37,654,713
Loans and advances to customers	200,322,949	899		200,323,848
Investment securities available for sale	142,352,353	2,080,871	-	144,433,224
Other financial assets	40,782	-	-	40,782
Total financial assets	**416,188,888**	**2,081,770**	**-**	**418,270 ,658**
Financial liabilities				
Customer accounts	250,975,585	33,797	3,550	251,012,932
Borrowed funds	60,101,137	-	-	60,101,137
Other financial liabilities	2,100,235	-	-	2,100,235
Total financial liabilities	**313,176,957**	**33,797**	**3,550**	**313,214,304**
Net position in on-balance sheet financial instruments	**103,011,931**	**2,047,973**	**(3,550)**	**105,056,354**
Credit related commitments	**20,460,366**	**-**	**-**	**20,460,366**

22 Financial risk management (continued)

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

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2013 is shown below:

In thousands of Kazakhstani Tenge	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	47,121,251	-		47,121,251
Due from other banks	10,667,461	-		10,667,461
Loans and advances to customers	143,888,556	-		143,888,556
Investment securities available for sale	147,126,328	2,080,879		149,207,207
Other financial assets	39,400	-		39,400
Total financial assets	**348,842,996**	**2,080,879**		**350,923,875**
Financial liabilities				
Customer accounts	195,544,635	1,446	3,550	195,549,631
Borrowed funds	58,879,568	-	-	58,879,568
Other financial liabilities	1,672,256	-	-	1,672,256
Total financial liabilities	**256,096,459**	**1,446**	**3,550**	**256,101,455**
Net position in on-balance sheet financial instruments	**92,746,357**	**2,079,433**	**(3,550)**	**94,822,420**
Credit related commitments	**25,714,377**	-	-	**25,714,377**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets (Note 8). The Bank did not have any such significant risk concentrations at 31 December 2014 and 2013.

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

The Bank seeks to maintain a stable funding base primarily consisting of funds received from the Government and deposits (housing construction savings of individuals). The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

22 Financial risk management (continued)

The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirement of the National Bank of the Republic of Kazakhstan. These ratios include:

- Current liquidity coefficient (k4), which is calculated as average volume of highly liquid Bank assets divided by average volume of demand liabilities. At 31 December 2014 this coefficient was 23.07 (2013: 34.71);

- Acid-test coefficient (k4-1), which is calculated as average volume of highly liquid assets divided by average volume of term liabilities with the maturity of seven days. At 31 December 2014 this coefficient was 2.71 (2013: 4.27);

- Acid-test coefficient (k4-2), which is calculated as average volume of liquid assets with the maturity of one month, including highly liquid assets, divided by average volume of term liabilities with the remaining maturity up to one month. At 31 December 2014 this coefficient was 3.12 (2013: 5.16);

- Acid-test coefficient (k4-3), which is calculated as average volume of liquid assets with the maturity up to three months, including highly liquid assets, divided by average volume of term liabilities with the remaining maturity up to three months. At 31 December 2014 this coefficient was 2.87 (2013 г.: 4.57);

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Treasury Department monitors the daily liquidity position. Risk Department regularly conducts liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period.

22 Financial risk management (continued)

The maturity analysis of financial instruments at 31 December 2014 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	30,707,667	-	-	-	-	**30,707,667**
Trading securities	-	-	-	2,333,359	2,777,065	**5,110,424**
Due from other banks	-	18,752,414	4,644,454	14,257,845	-	**37,654,713**
Loans and advances to customers	833,058	4,285,501	5,995,549	145,299,070	43,910,670	**200,323,848**
Investment securities available for sale	125,809,506	296,894	-	15,285,208	3,041,616	**144,433,224**
Other financial assets	40,782	-	-	-	-	**40,782**
Total assets	**157,391,013**	**23,334,809**	**10,640,003**	**177,175,482**	**49,729,351**	**418,270,658**
Liabilities						
Customer accounts	73,400,322	22,303,961	22,604,829	122,581,650	18,691,258	**259,582,020**
Borrowed funds from the Government of RK	-	178,800	178,800	24,726,243	12,695,794	**37,779,637**
Borrowed funds from Samruk Kazyna	-	167,200	167,200	19,553,677	15,466,260	**35,354,337**
Other financial liabilities	2,100,235	-	-	-	-	**2,100,235**
Total potential future payments for financial obligations	**75,550,557**	**22,649,961**	**22,950,829**	**166,861,570**	**46,853,312**	**334,816,229**
Contingent liabilities						
Irrevocable loan commitments	2,455,244	12,276,220	5,728,902	-	-	20,460,366
Total potential future payments for contingent liabilities	**2,455,244**	**12,276,220**	**5,728,902**	**-**	**-**	**20,460,366**
Liquidity gap arising from financial instruments	**79,435,212**	**(11,591,372)**	**(18,039,726)**	**10,313,911**	**2,876,038**	**62,994,063**

22 Financial risk management (continued)

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The maturity analysis of financial instruments at 31 December 2013 is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	47,121,251	-	-	-	-	**47,121,251**
Due from other banks	23,271	-	6,581,387	4,062,803	-	**10,667,462**
Loans and advances to customers	372,183	2,257,456	2,142,488	74,404,048	64,712,381	**143,888,556**
Investment securities available for sale	144,573,654	-	-	4,631,720	1,833	**149,207,207**
Other financial assets	39,400	-	-	-	-	**39,400**
Total Assets	**192,129,759**	**2,257,456**	**8,723,875**	**83,098,571**	**64,714,214**	**350,923,875**
Liabilities						
Customer accounts	48,810,074	14,197,369	19,821,093	95,167,375	19,436,788	**197,432,699**
Borrowed funds from the Government of RK	-	177,444	182,434,	25,043,704	12,764,589	**38,168,171**
Borrowed funds from Samruk Kazyna	-	166,192	165,930	1,316,739	34,008,942	**35,657,803**
Other financial liabilities	1,672,256	-	-	-	-	**1,672,256**
Total liabilities	**50,482,330**	**14,541,005**	**20,169,457**	**121,527,818**	**66,210,319**	**272,930,929**
Irrevocable loan commitments	2,142,865	10,714,323	12,857,189	-	-	**25,714,377**
Total potential future payments for financial obligations	**2,142,865**	**10,714,323**	**12,857,189**	**-**	**-**	**25,714,377**
Liquidity gap arising from financial instruments	**139,504,564**	**(22,997,872)**	**(24,302,771)**	**(38,429,247)**	**(1,496,105)**	**52,278,569**

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows:

22 Financial risk management (continued)

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December 2014						
Financial assets	157,391,013	23,334,809	10,640,003	177,175,482	49,729,351	418,270,658
Financial liabilities	75,500,557	22,649,961	22,950,829	166,861,570	46,853,312	334,816,229
Net liquidity gap based on expected maturities	**81,890,456**	**684,848**	**(12,310,826)**	**10,313,912**	**2,876,039**	**83,454,429**
Accumulated liquidity gap based on expected maturities	**81,890,456**	**82,575,304**	**70,264,479**	**80,578,391**	**83,454,429**	**166,908,858**
At 31 December 2013						
Financial assets	192,128,598	2,257,456	8,723,875	83,098,571	64,714,214	350,922,714
Financial liabilities	50,482,329	14,541,005	20,169,457	121,527,818	66,210,319	272,930,928
Net liquidity gap based on expected maturities	**141,646,269**	**(12,283,549)**	**(11,445,582)**	**(38,429,247)**	**(1,496,105)**	**77,991,786**
Accumulated liquidity gap based on expected maturities	**141,646,269**	**129,362,720**	**117,917,138**	**79,487,891**	**77,991,786**	**155,983,572**

The entire portfolio of trading securities is classified within one to six months based on management's assessment of the portfolio's realisability.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

23 Capital management

The Bank maintains an actively managed capital base to cover risk inherent in the business. The adequacy the Banks' capital is monitored using, among other measures, the ratios established by the competent authority in supervising the Bank.

During 2014 and 2013, the Bank complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shares' value.

Capital adequacy ratio established by the competent authority.

NB RK requires the Bank, which have more than fifty percent of placed shares owned by the state or the national holding fund to maintain capital adequacy ratio k 1-1 at a rate 5% of tool assets under NB RK rules, k 1-2 at rate of 5% and k 2 at 10% of the assets, contingent liabilities, potential claims and liabilities and operational risks.

23 Capital management (continued)

Capital adequacy ratios calculations

- Capital adequacy ratio k1-1 is calculated as tier 1 capital to total assets under approved NK RK rules;
- Capital adequacy ratio k1-2 is calculated as tier 1 capital to the sum of risk-weighted assets and contingent liabilities, potential claims and liabilities and operational risk;
- Capital adequacy ratiok2 is calculated as total regulatory capital to the sum of risk-weighted assets and contingent liabilities, potential claims and liabilities and operational risk.

As of 31 December 2014 and 2013, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

As of 31 December 2014 and 2013, the Bank's capital adequacy ratios calculated in accordance with the requirements of the NB RK were as follows:

	2014	**2013**
Tier 1 capital	95,815,924	93,584,438
Tier 2 capital	11,734,995	4,351,363
Total regulatory capital	**107,550,919**	**97,935,801**
Total assets under approved NK RK rules	423,095,370	355,161,978
Risk-weighted assets and contingent liabilities, potential claims and liabilities	199,011,964	152,133,317
Operational risk	2,917,034	1,117,877
Capital adequacy ratio k1-1	22.65%	26.35%
Capital adequacy ratio k1-2	47.45%	61.07%
Capital adequacy ratio k2	53.26%	63.91%

24 Fair value disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

24 Fair value disclosures (continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that IFRS require or permit in the statement of financial position at the end of each reporting period.

The levels in the fair value hierarchy, into which the recurring fair value measurements are categorized, are as follows:

In thousands of Kazakhstani Tenge	2014 Level 1	2014 Level 2	2014 Total	2013 Level 1	2013 Level 2	2013 Total
ASSETS MEASURED AT FAIR VALUE						
FINANCIAL ASSETS						
Trading investments						
- Corporate bonds	-	5,110,424	5,110,424	-	-	-
Available-for-sale investments						
- Treasury bonds of Ministry Finance of the Republic of Kazakhstan	-	116,770,260	116,770,260	142,414,600	-	142,414,600
- Corporate bonds	-	19,380,100	19,380,100	2,918,054	-	2,918,054
- International financial organizations bonds	-	2,080,871	2,080,871	2,080,879	-	2,080,879
- Bonds of Second tier Banks of the Republic of Kazakhstan	-	1,495,576	1,495,576	1,513,698	-	1,513,698
- Bonds of Kazakhstani non-banking financial institutions	-	4,704,941	4,704,941	278,143	-	278,143
- Ordinary and preferred shares of the Second tier banks of the Republic of Kazakhstan	-	1,476	1,476	1,833	-	1,833
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**149,543,648**	**149,543,648**	**149,207,207**	**-**	**149,207,207**

Investment securities available for sale are reflected in the analysis above as at 31 December 2013 as financial instruments of Level 1 of fair value hierarchy. Due to the decreased activity of financial markets in 2014, investments were analyzed by the Bank as instruments of Level 2.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and the carrying value of assets not measured at fair value are as follows:

In thousands of Kazakhstani Tenge	2014 Level 2 Fair Value	2014 Level 3 Fair Value	2014 Carrying Value	2013 Level 2 Fair Value	2013 Level 3 Fair Value	2013 Carrying Value
ASSETS						
Due from other banks	37,654,713	-	37,654,713	10,667,461	-	10,667,461
Loans and advances to customers	148,651,330	51,672,518	200,323,848	87,375,051	56,513,505	143,888,556
TOTAL	**186,306,043**	**51,672,518**	**237,978,561**	**98,042,512**	**56,513,505**	**154,556,017**

24 Fair value disclosures (continued)

Fair values analysed by level in the fair value hierarchy and the carrying value of liabilities not measured at fair value are as follows:

In thousands of Kazakhstani Tenge	2014 Level 2 Fair Value	2014 Level 3 Fair Value	2014 Carrying value	2013 Level 2 Fair Value	2013 Level 3 Fair Value	2013 Carrying value
Customer accounts	251,012,932	-	251,012,932	195,549,631	-	195,549,631
Borrowed funds	60,101,137	-	60,101,137	58,879,568	-	58,879,568
TOTAL	**311,114,069**	**-**	**311,114,069**	**254,429,199**	**-**	**254,429,199**

The fair values in Level 2 and Level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

25 Contingencies and commitments

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

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made as at 30 June 2014 and 2013 for any of the contingent liabilities mentioned above, since it was not necessary.

Tax contingencies. Based on the order №730 dated 20 February 2013 the Office of State Revenue of Almaly region of Almaty conducted planned complex audit on fulfilment of tax liabilities covering all types taxes and other obligatory payments to budget, completeness and timeliness of calculations, withholding and transfer of obligatory pension payments, completeness and timeliness of calculation and payment of social contributions for the period from 1 January 2008 to 31 December 2012 (corporate income tax was audited for the period from 1 January 2008 to 31 December 2011).

According to the Notification on Results of Tax Audit №730 dated 31 December 2014 additional taxes, penalties and fines were accrued for Tenge 146,382 thousand, Tenge 59,901 thousand and Tenge 165,876 thousand respectively.

Bank Management agreed with the additional accruals on corporate income tax for the amount of Tenge 21,214 thousand and fines and penalties for the amount of Tenge 10,661 thousand and Tenge 5,119 thousand respectively.

With the remaining accruals management disagree with the result of the audit. In particular management does not agree with the additional taxes, penalties and fines on withholding corporate income tax on legal entities accrued on interest expenses on loans received from the Ministry of Finance of the Republic of Kazakhstan for the amount of Tenge 114,444 thousand, Tenge 52,260 thousand and Tenge 79,144 thousand respectively.

Bank submitted a complaint on the Notification on Results of Tax Audit №730 dated 31 December2014 into the Office of State Revenue of Almaty №22-24-06/1066 dated 2 February 2015 with the enclosure of calculations and justifications.

25 Contingencies and commitments (continued)

Based on this assessment Management believes that the Bank has a strong position on disputed issues. Accordingly, as of 31 December 2014 no provisions with respect to these assessments were recorded in these financial statements.

Credit related commitments. Agreement on loan commitments represent Bank's contingent liability to provide loans to customers since all conditions stipulated in the contract on housing construction savings have been achieved.

Financial and contingent liabilities of the Bank included:

	2014	2013
Loan commitments	20,460,366	25,714,377
Financial and contingent liabilities	**20,460,366**	**25,714,377**

26 Presentation of financial instruments by measurement category

For the purposes of measurement, IAS 39 "Financial Instruments: Recognition and Measurement", Bank classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held for trading. All of the Bank's financial assets fall in the loans and receivables category except financial derivatives. All of the Bank's financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category and were held for trading.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2014:

In thousands of Kazakhstani tenge	Loans and receivables	Available-for-sale assets	Trading assets	Total
ASSETS				
Cash and cash equivalents	30,707,667	-	-	30,707,667
Trading securities	-	-	5,110,424	5,110,424
Due from other banks	37,654,713	-	-	37,654,713
Loans and advances to customers	200,323,848	-	-	200,323,848
Investment securities available for sale		144,433,224	-	144,433,224
Other financial assets	40,782	-	-	40,782
TOTAL FINANCIAL ASSETS	**268,727,010**	**144,433,224**	**5,110,424**	**418,270,658**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

In thousands of Kazakhstani tenge	Loans and receivables	Available-for-sale assets	Trading assets	Total
ASSETS				
Cash and cash equivalents	47,121,251	-	-	47,121,251
Due from other banks	10,667,461	-	-	10,667,461
Loans and advances to customers	143,888,556	-	-	143,888,556
Investment securities available for sale	-	149,207,207	-	149,207,207
Other financial assets	39,400	-	-	39,400
TOTAL FINANCIAL ASSETS	**201,716,668**	**149,207,207**	**-**	**350,923,875**

For 31 December 2014 and 31 December 2013 all financial liabilities of the Banks measured at amortized costs.

27 Related party transactions

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

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

In thousands of Kazakhstani Tenge	**Immediate parent company**	**Companies under common control**	**Key management personnel**	**Other related parties**
Due from other banks	-	11,111,222		1,557,847
Trading securities	-	2,777,065	-	2,333,359
Loans and advances to customers	-	-	4,143	104,418
Investment securities available for sale		1,630,982	-	138,927,427
Borrowing funds	-	-	-	60,101,137
Customer accounts	-	-	3,288	135,931

The income and expense items with related parties for 2014 were as follows:

In thousands of Kazakhstani Tenge	**Immediate parent company**	**Companies under common control**	**Key management personnel**	**Other related parties**
Interest income	-	330,265	245	7,054,847
Interest expenses	-	-	(60)	(1,992,307)
Gains less losses from trading securities	-	(137)	-	34
Fee and commission income				9,451
Provision for impairment	-	(1,162)	(3)	(163)

Aggregate amounts lent to and repaid by related parties during 2014 were:

In thousands of Kazakhstani Tenge	**Other related parties**
Amounts lent to related parties during the year	203,764
Amounts repaid by related parties during the year	63,788

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

In thousands of Kazakhstani Tenge	**Immediate parent company**	**Companies under common control**	**Key management personnel**	**Other related parties**
Loans and advances to customers	-	-	8,276	135,443
Investment securities available for sale	-	-	-	144,573,653
Other assets	-	1,162	-	27
Borrowing funds	-	-	-	58,879,568
Customer accounts	-	-	7,002	152,438

27 Related party transactions (continued)

The income and expense items with related parties for 2013 were as follows:

In thousands of Kazakhstani Tenge	Immediate parent company	Companies under common control	Key management personnel	Other related parties
Interest income	-	-	965	6,090,969
Interest expenses	-	-	(179)	(1,933,411)
Gains less losses from trading securities	-	-	-	91,234
Provision for impairment	-	-	(13)	(1,021)

Aggregate amounts issued to and repaid by related parties during 2013 were:

In thousands of Kazakhstani Tenge	Other related parties
Amounts issued to related parties during the year	109,681
Amounts repaid by related parties during the year	54,811

Key management compensation is presented below:

	2014		2013	
In thousands of Kazakhstani Tenge	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	170,886	-	112,361	-
- Short-term bonuses	13,686	-	8,499	-
- Benefits in-kind	1,311	-	910	-
- Long-term bonus scheme	71,260	108,196	79,920	79,920
Total	**257,143**	**108,196**	**201,690**	**79,920**

28 Events after the end of the reporting period

From mid-2014, world oil prices decreased by more than 50 percent, which adversely affected the growth of the oil-dependent economy of Kazakhstan. On 9 February 2015, Standard and Poor's downgraded the sovereign credit ratings of local currency of the country from "BBB+" to "BBB" with a negative forecast.