Eurasian Bank JSC

Unconsolidated Financial Statements

for the year ended 31 December 2014

Contents

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Independent Auditors' Report

To the Board of Directors of Eurasian Bank JSC

We have audited the accompanying unconsolidated financial statements of Eurasian Bank JSC (the "Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2014, and the unconsolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Unconsolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated 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 unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated 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 unconsolidated 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 unconsolidated financial statements.

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

Opinion

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

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

KPMG Audit LLC

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

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

27 March 2015

	Note	2014 KZT'000	2013 KZT'000
Interest income	4	78,953,172	66,312,027
Interest expense	4	(39,734,225)	(29,261,390)
Net interest income		**39,218,947**	**37,050,637**
Fee and commission income	5	11,382,842	11,529,968
Fee and commission expense		(769,699)	(737,513)
Net fee and commission income		**10,613,143**	**10,792,455**
Net loss on financial instruments at fair value through profit or loss		(608,022)	(141,774)
Net foreign exchange gain	6	3,109,312	2,280,325
Net loss on available-for-sale financial assets		(349)	(290)
Gain from sale of mortgage and consumer loans		1,131,811	707,582
Other operating expenses, net		(290,010)	(184,080)
Operating income		**53,174,832**	**50,504,855**
Impairment losses	7	(10,028,974)	(8,247,859)
Personnel expenses	8	(15,926,456)	(14,584,231)
Other general administrative expenses	9	(13,084,054)	(10,684,593)
Profit before income tax		**14,135,348**	**16,988,172**
Income tax expense	10	(3,116,950)	(4,073,223)
Profit for the year		**11,018,398**	**12,914,949**
Other comprehensive (loss) income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(22,839)	62,315
- Net change in fair value transferred to profit or loss		349	290
Total items that are or may be reclassified subsequently to profit or loss:		(22,490)	62,605
Total other comprehensive (loss) income for the year		**(22,490)**	**62,605**
Total comprehensive income for the year		**10,995,908**	**12,977,554**
Basic and diluted earnings per ordinary share, in KZT	28	679.68	796.67

The unconsolidated financial statements as set out on pages 5 to 81 were approved by management on 27 March 2015 and were signed on its behalf by:

Eggleton M.
Chairman

Nelina L.N.
Chief Accountant

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

	Note	2014 KZT'000	2013 KZT'000
ASSETS			
Cash and cash equivalents	11	109,816,471	81,014,159
Financial instruments at fair value through profit or loss	12	4,025,156	-
Available-for-sale financial assets	13	5,913,836	10,979,872
Deposits and balances with banks	14	13,429,798	2,598,850
Loans to customers	15	582,292,908	426,513,718
Held-to-maturity investments	16	35,184,257	23,462,306
Investment in subsidiary	17	5,607,853	5,607,853
Current tax asset		2,145,193	1,271,228
Property, equipment and intangible assets	18	22,558,807	19,465,126
Other assets	19	24,070,624	13,356,178
Total assets		**805,044,903**	**584,269,290**
LIABILITIES			
Financial instruments at fair value through profit or loss	12	-	2,278
Deposits and balances from banks	20	3,317,312	12,608,055
Amounts payable under repurchase agreements	21	7,353,570	8,803,285
Current accounts and deposits from customers	22	543,556,833	401,781,105
Debt securities issued	23	103,242,607	32,910,768
Subordinated debt securities issued	24	26,028,695	35,669,288
Other borrowed funds	25	37,862,573	21,410,349
Deferred tax liabilities	10	1,791,912	253,098
Other liabilities	26	13,628,652	12,064,207
Total liabilities		**736,782,154**	**525,502,433**
EQUITY			
Share capital	27	30,110,207	30,110,207
Share premium		2,025,632	2,025,632
Reserve for general banking risks		8,234,923	8,234,923
Dynamic reserve		6,733,233	6,733,233
Revaluation reserve for available-for-sale financial assets		(74,143)	(51,653)
Retained earnings		21,232,897	11,714,515
Total equity		**68,262,749**	**58,766,857**
Total liabilities and equity		**805,044,903**	**584,269,290**

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

	2014 KZT'000	2013 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	70,857,845	59,631,417
Interest payments	(38,749,370)	(28,159,130)
Fee and commission receipts	11,235,061	11,641,188
Fee and commission payments	(769,699)	(737,513)
Net payments from financial instruments at fair value through profit or loss	(4,534,097)	(137,517)
Net receipts from foreign exchange	3,477,365	2,490,263
Other payments	(298,813)	(184,468)
Personnel expenses payments	(16,553,776)	(14,047,962)
Other general administrative expenses payments	(10,178,387)	(8,120,159)
(Increase) decrease in operating assets		
Deposits and balances with banks	(9,919,080)	759,294
Loans to customers	(155,478,489)	(78,943,737)
Other assets	1,044,081	(3,867,547)
Increase (decrease) in operating liabilities		
Deposits and balances from banks	(9,752,642)	(6,956,135)
Amounts payable under repurchase agreements	(1,479,999)	8,801,003
Current accounts and deposits from customers	117,594,280	94,715,066
Other liabilities	1,158,531	1,842,465
Net cash (used in) from operating activities before income tax paid	**(42,347,189)**	**38,726,528**
Income tax paid	(2,452,101)	(4,253,488)
Cash flows (used in) from operating activities	**(44,799,290)**	**34,473,040**
CASH FLOWS FROM INVESTING ACTIVITIES		
Contribution into share capital of subsidiary	-	(2,362,500)
Purchases of available-for-sale financial assets	(22,698,238)	(10,425,277)
Sale and repayment of available-for-sale financial assets	27,666,445	18,145,893
Purchases of held-to-maturity investments	(52,871,716)	(20,005,394)
Redemption of held-to-maturity investments	41,419,634	7,000,000
Purchases of property and equipment and intangible assets	(6,677,462)	(5,629,373)
Sales of property and equipment and intangible assets	315,802	17,554
Capital expenditures	79,773	(761,780)
Cash flows used in investing activities	**(12,765,762)**	**(14,020,877)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from debt securities issued	89,816,367	-
Repayment of debt securities issued	(2,236,200)	-
Repurchase of debt securities issued	(18,219,864)	(1,295,789)
Receipts from subordinated debt securities issued	12,461	17,534,520
Repayment of subordinated debt securities issued	(9,210,360)	(10,000,000)
Repurchase of subordinated debt securities issued	(828,923)	-
Receipts of other borrowed funds	23,064,839	12,328,852
Repayment of other borrowed funds	(6,893,104)	(9,733,272)
Dividends paid	(1,500,016)	(2,000,129)
Cash flows from financing activities	**74,005,200**	**6,834,182**
Net increase in cash and cash equivalents	**16,440,148**	**27,286,345**
Effect of changes in exchange rates on cash and cash equivalents	12,362,164	777,405
Cash and cash equivalents as at the beginning of the year	81,014,159	52,950,409
Cash and cash equivalents as at the end of the year (Note 11)	**109,816,471**	**81,014,159**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total**
Balance as at 1 January 2013	30,110,207	2,025,632	6,650,265	-	(114,258)	9,117,586	47,789,432
Total comprehensive income							
Profit for the year	-	-	-	-	-	12,914,949	12,914,949
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	-	-	62,315	-	62,315
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	290	-	290
Total items that are or may be reclassified subsequently to profit or loss:	-	-	-	-	*62,605*	-	*62,605*
Total other comprehensive income	-	-	-	-	62,605	-	62,605
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**62,605**	**12,914,949**	**12,977,554**
Transactions with owners, recorded directly in equity							
Dividends declared (Note 27 (b))	-	-	-	-	-	(2,000,129)	(2,000,129)
Other movements in equity							
Increase in general reserve (Note 27 (c))	-	-	1,584,658	-	-	(1,584,658)	-
Transfer to dynamic reserve (Note 27 (c))	-	-	-	6,733,233	-	(6,733,233)	-
Balance as at 31 December 2013	**30,110,207**	**2,025,632**	**8,234,923**	**6,733,233**	**(51,653)**	**11,714,515**	**58,766,857**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total**
Balance as at 1 January 2014	30,110,207	2,025,632	8,234,923	6,733,233	(51,653)	11,714,515	58,766,857
Total comprehensive income							
Profit for the year	-	-	-	-	-	11,018,398	11,018,398
Other comprehensive loss							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	-	-	(22,839)	-	(22,839)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	349	-	349
Total items that are or may be reclassified subsequently to profit or loss*:*	-	-	-	-	*(22,490)*	-	*(22,490)*
Total other comprehensive loss	-	-	-	-	(22,490)	-	(22,490)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(22,490)**	**11,018,398**	**10,995,908**
Transactions with owners, recorded directly in equity							
Dividends declared (Note 27 (b))	-	-	-	-	-	(1,500,016)	(1,500,016)
Balance as at 31 December 2014	**30,110,207**	**2,025,632**	**8,234,923**	**6,733,233**	**(74,143)**	**21,232,897**	**68,262,749**

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

1 Background

(a) Organisation and operations

Eurasian Bank JSC (the "Bank") was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence number 237 granted on 28 December 2007. The Bank also possesses licences number 0401100623 and number 0407100189 for brokerage, dealing and custodian activities. The principal activities of the Bank are deposit taking and customer account maintenance, lending and issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK").

As at 31 December 2014 the Bank has 20 regional branches (2013: 20) and 143 cash settlement centers (2013: 143) from which it conducts business throughout the Republic of Kazakhstan.

The registered address of the Bank's head office is 56 Kunayev str., Almaty, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in Kazakhstan.

On 1 April 2010 the Bank acquired a subsidiary, Eurasian Bank OJSC, located in Moscow, Russian Federation (Note 17).

(b) Shareholders

As at 31 December 2014 Eurasian Financial Company JSC (the "EFC") is the Bank's Parent company, which owns 100% of the Bank's shares (2013: EFC owns 100% of the Bank's shares).

(c) Business environment

The Bank's operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. The unconsolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank also prepares consolidated financial statements for the year ended 31 December 2014 in accordance with IFRS that can be obtained from the Bank's head office at 56, Kunayev str., Almaty, the Republic of Kazakhstan.

(b) Basis of measurement

The unconsolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

2 Basis of preparation, continued

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The KZT is the presentation currency for the purposes of these unconsolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- insurance agent services income – Note 5
- loan impairment estimates – Note 15
- estimates of fair value of financial assets and liabilities – Note 36.

(e) Changes in accounting policies and presentation

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32 Financial Instruments: Presentation). Amendments to IAS 32 Financial Instruments: Disclosure and Presentation - Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

These amendments did not have an impact on its unconsolidated financial statements as the Bank does not present financial assets and financial liabilities on net basis in the unconsolidated statement of financial position.

(f) Changes in presentation – prior period reclassification

Comparative information is reclassified to conform to changes in presentation in the current period

During the preparation of the Bank's unconsolidated financial statements for the year ended 31 December 2014, management made certain reclassifications affecting the corresponding figures to conform to the presentation of the unconsolidated financial statements for the year ended 31 December 2014.

In the unconsolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 agent services expenses on loans to customers were reclassified from 'Fee and commission expense' to 'Interest income' in the amount of KZT 1,235,274 thousand.

2 Basis of preparation, continued

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

In the unconsolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 the cost of insurance of car loans was reclassified from 'Other general administrative expenses' to 'Interest income' in the amount of KZT 992,740 thousand.

Management believes that this presentation is more appropriate presentation in accordance with IFRS and provides a clearer view of the unconsolidated financial performance of the Bank. The effect of reclassifications on the corresponding figures can be summarised as follows:

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Unconsolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013			
Interest income	66,312,027	(2,228,014)	68,540,041
Net interest income	37,050,637	(2,228,014)	39,278,651
Fee and commission expense	(737,513)	1,235,274	(1,972,787)
Net fee and commission income	10,792,455	1,235,274	9,557,181
Other general administrative expenses	(10,684,593)	992,740	(11,677,333)
Unconsolidated statement of cash flows for the year ended 31 December 2013			
Cash flows from operating activities			
Interest receipts	59,631,417	(2,228,014)	61,859,431
Fee and commission payments	(737,513)	1,235,274	(1,972,787)
Other general administrative expenses payments	(8,120,159)	992,740	(9,112,899)

The above reclassifications do not impact the Bank's results or equity.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these unconsolidated financial statements, except as explained in Note 2(e), which addresses changes in accounting policies.

(a) Accounting for investments in subsidiaries in unconsolidated financial statements

Subsidiaries are investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are accounted for at cost in these unconsolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currency of the Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

3 Significant accounting policies, continued

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks and deposits with banks with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost in the unconsolidated statement of financial position.

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Bank has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the unconsolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

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

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

(iv) Amortised cost

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

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses on the origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Fair value measurement principles

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

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss

- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its unconsolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Bank purchases its own debt, it is removed from the unconsolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the unconsolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(x) Offsetting

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

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- Buildings	25 to 40 years
- Computer and banking equipment	3 to 8 years
- Vehicles	7 years
- Furniture	8 to 10 years
- Leasehold improvements	5 years.

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

- Trademark	10 years
- Computer software and other intangibles	5 to 7 years.

(g) Impairment

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

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

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

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

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

3 Significant accounting policies, continued

(g) Impairment, continued

(iii) Available-for-sale financial assets

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non financial assets

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(h) Provisions

A provision is recognised in the unconsolidated statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3 Significant accounting policies, continued

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitments are included in other liabilities.

Loan commitments are not recognised, except in the following cases:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative financial instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Bank to declare and pay dividends is subject to the legislation, rules and regulations of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies, continued

(k) Taxation, continued

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

(l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Bank’s contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Bank does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3 Significant accounting policies, continued

(m) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2014, and are not applied in preparing these unconsolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective.

The Bank has not yet analysed the likely impact of these new standards and pronouncements on its unconsolidated financial statements.

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

4 Net interest income

	2014 KZT'000	2013 KZT'000
Interest income		
Loans to customers	77,175,483	65,024,334
Held-to-maturity investments	1,005,143	806,711
Available-for-sale financial assets	415,247	330,057
Deposits and balances with banks	299,193	98,311
Cash and cash equivalents	46,016	40,842
Amounts receivable under reverse repurchase agreements	12,090	11,772
	78,953,172	**66,312,027**
Interest expense		
Current accounts and deposits from customers	(27,872,844)	(20,860,322)
Debt securities issued	(3,814,904)	(3,017,037)
Subordinated debt securities issued	(3,433,109)	(2,746,103)
Amounts payable under repurchase agreements	(2,251,736)	(438,841)
Other borrowed funds	(1,466,399)	(1,599,620)
Deposits and balances from banks	(895,233)	(599,467)
	(39,734,225)	**(29,261,390)**
	39,218,947	**37,050,637**

Included within various line items under interest income for the year ended 31 December 2014 is a total of KZT 2,607,590 thousand (2013: KZT 1,520,735 thousand) accrued on individually impaired financial assets.

5 Fee and commission income

	2014 KZT'000	2013 KZT'000
Agent services	7,222,800	7,782,122
Settlement	1,320,482	1,287,659
Cash withdrawal	1,110,279	969,944
Payment card maintenance fees	727,416	568,979
Guarantee and letter of credit issuance	547,731	586,423
Cash delivery	55,093	51,213
Custodian services	23,561	59,557
Other	375,480	224,071
	11,382,842	**11,529,968**

The Bank provides insurance agent services. The Bank offers life insurance policies of different insurance companies for its point of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. Acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, nor does it affect the interest rate on the loan, therefore the agent services fee was not considered as part of effective interest rate.

6 Net foreign exchange gain

	2014 KZT'000	2013 KZT'000
Dealing, net	3,477,365	2,332,150
Translation differences, net	(368,053)	(51,825)
	3,109,312	**2,280,325**

7 Impairment losses

	2014 KZT'000	2013 KZT'000
Loans to customers (Note 15)	9,763,250	8,256,696
Other assets (Note 19)	260,287	(37,271)
Provision for contingent liabilities	5,437	28,434
	10,028,974	**8,247,859**

8 Personnel expenses

	2014 KZT'000	2013 KZT'000
Wages, salaries, bonuses and related taxes	15,214,463	14,007,984
Other employee costs	711,993	576,247
	15,926,456	**14,584,231**

9 Other general administrative expenses

	2014 KZT'000	2013 KZT'000
Depreciation and amortisation	3,276,782	2,629,273
Communications and information services	1,756,842	1,123,030
Operating lease expense	1,600,695	1,336,379
Advertising and marketing	1,253,732	1,070,287
Taxes other than on income	1,123,142	998,089
Security	828,925	695,318
Professional services	371,894	293,324
Repairs and maintenance	345,714	475,911
Travel expenses	338,139	298,581
Services of state center for pension payments	308,896	222,672
Cash delivery services	199,824	129,482
Insurance	152,359	115,640
Transportation	68,739	59,419
Payment cards production	57,986	37,506
Trainings	45,415	26,055
Stationery and office supplies	40,758	62,431
Loan servicing	28,445	157,020
Representation expenses	11,501	11,642
Other	1,274,266	942,534
	13,084,054	**10,684,593**

10 Income tax expense

	2014 KZT'000	2013 KZT'000
Current tax expense		
Current year tax expense	2,920,611	3,854,793
Decrease in tax expense due to changes in the Tax Code	(1,236,117)	-
Income tax overprovided in prior years	(106,358)	-
	1,578,136	**3,854,793**
Deferred tax expense		
Reversal of deferred tax assets due to changes in the Tax Code	1,236,117	-
Origination and reversal of temporary differences	302,697	218,430
Total income tax expense	**3,116,950**	**4,073,223**

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

Reconciliation of effective tax rate for the year ended 31 December:

	2014 KZT'000	%	2013 KZT'000	%
Profit before income tax	**14,135,348**	**100.00**	**16,988,172**	**100.00**
Income tax at the applicable tax rate	2,827,070	20.00	3,397,634	20.00
Tax-exempt income on securities	(284,078)	(2.01)	(227,354)	(1.34)
Overprovided in prior years	(106,358)	(0.75)	-	-
Non-deductible expenses	680,316	4.81	902,943	5.32
	3,116,950	**22.05**	**4,073,223**	**23.98**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax liability as at 31 December 2014 and 2013.

The deductible temporary differences do not expire under current tax legislation.

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

2014 KZT'000	**Balance 1 January 2014**	**Recognised in profit or loss**	**Balance 31 December 2014**
Loans to customers	(1,087,162)	35,955	(1,051,207)
Property and equipment	(831,919)	(142,187)	(974,106)
Other assets	122,890	(3,196)	119,694
Financial instruments at fair value through profit or loss	456	(106,456)	(106,000)
Interest payable on deposits and balances from banks	82,321	(82,321)	-
Interest payable on current accounts and deposits from customers	928,392	(928,392)	-
Interest payable on repurchase agreements	456	(456)	-
Interest payable on debt securities issued	154,418	(154,418)	-
Interest payable on subordinated debt	89,369	(89,369)	-
Other liabilities	287,681	(67,974)	219,707
	(253,098)	**(1,538,814)**	**(1,791,912)**

10 Income tax expense, continued

Deferred tax asset and liability, continued

2013 KZT'000	Balance 1 January 2013	Recognised in profit or loss	Balance 31 December 2013
Loans to customers	192,954	(1,280,116)	(1,087,162)
Property and equipment	(687,139)	(144,780)	(831,919)
Other assets	239,151	(116,261)	122,890
Financial instruments at fair value through profit or loss	3,896	(3,440)	456
Interest payable on deposits and balances from banks	-	82,321	82,321
Interest payable on current accounts and deposits from customers	-	928,392	928,392
Interest payable on repurchase agreements	-	456	456
Interest payable on debt securities issued	-	154,418	154,418
Interest payable on subordinated debt	-	89,369	89,369
Other liabilities	216,470	71,211	287,681
	(34,668)	**(218,430)**	**(253,098)**

11 Cash and cash equivalents

	2014 KZT'000	2013 KZT'000
Cash on hand	**34,852,740**	**20,070,329**
Nostro accounts with the NBRK	**63,791,316**	**30,034,554**
Nostro accounts with other banks		
- rated from AA- to AA+	939,423	50,422
- rated from A- to A+	8,228,913	25,969,480
- rated from BBB- to BBB+	1,334,527	282,380
- rated from BB- to BB+	438,773	582,973
- rated below B+	25,088	23,069
- not rated	205,691	41,236
Total nostro accounts with other banks	**11,172,415**	**26,949,560**
Term deposits with other banks		
- rated below B+	-	2,418,731
- not rated	-	1,540,985
Total term deposits with other banks	**-**	**3,959,716**
Total cash and cash equivalents	**109,816,471**	**81,014,159**

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

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

As at 31 December 2014, the Bank has 1 bank (2013: 2 banks), whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2014 is KZT 63,791,316 thousand (2013: KZT 53,462,403 thousand).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2014 the minimum reserve is KZT 13,154,262 thousand (31 December 2013: KZT 6,694,173 thousand).

12 Financial instruments at fair value through profit or loss

	2014 KZT'000	2013 KZT'000
Derivative financial instruments		
Assets		
Foreign currency contracts	4,025,156	-
	4,025,156	**-**
Derivative financial instruments		
Liabilities		
Foreign currency contracts	-	2,278
	-	**2,278**

No financial assets at fair value through profit or loss are past due.

Foreign currency contracts

The Bank had the following derivative financial instruments as at 31 December 2014 and 2013:

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Bank	Amounts receivable by Bank	Fair value Asset KZT'000
31 December 2014						
Foreign currency swaps with the NBRK	USD 850,000,000	July 2016 - November 2017	181.73	KZT 154,467,500 thousand	USD 850,000,000	4,025,156
Foreign currency swap	USD 150,000,000	7 January 2015	182.35	KZT 27,352,500 thousand	USD 150,000,000	-
						4,025,156

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Bank	Amounts receivable by Bank	Fair value Liability KZT'000
31 December 2013						
Foreign currency swap	EUR 4,000,000	9 January 2014	45.08	EUR 4,000,000	RUB'000 180,325	2,278
						2,278

At 31 December 2014, the derivative financial instruments include currency swap agreements signed in 2014 with the NBRK, under which the Bank should deliver KZT 154,467,500 thousand in 2016-2017 in exchange for USD 850,000 thousand. Under these agreements the Bank prepaid a premium of KZT 4,634,025 thousand, which equates to 3% of the principal amount at inception. The NBRK have a right to terminate the contract at any time prior to the maturity. As at 31 December 2014 the fair value of the swaps amounted to KZT 4,025,156 thousand.

12 Financial instruments at fair value through profit or loss, continued

Approach to derivative transactions

The Bank enters into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions. A swap involves the exchange by the Bank with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Bank's exposure to long or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the swap positions increases or decreases depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Bank's investments.

The Bank's ability to meet its objectives in entering into such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Bank. If the counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Bank will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of the counterparty's insolvency.

13 Available-for-sale financial assets

	2014 KZT'000	2013 KZT'000
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	149,562	10,965,674
Corporate bonds rated from BB- to BB+	559,200	-
Corporate shares	14,387	14,198
	723,149	**10,979,872**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	5,190,687	-
	5,913,836	**10,979,872**

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

Available-for-sale investments stated at cost comprise unquoted equity securities with a carrying value of KZT 14,387 thousand (31 December 2013: KZT 14,198 thousand). There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. No notes and bonds are overdue or impaired as at 31 December 2014 and 2013.

14 Deposits and balances with banks

	2014 KZT'000	2013 KZT'000
Term deposits		
- conditional deposit with NBRK	4,139,851	-
- rated from BB- to BB+	582,427	507,944
- rated from B- to B+	7,423,263	1,260
- not rated	1,284,257	2,089,646
Total deposits and balances with banks	**13,429,798**	**2,598,850**

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

No deposits and balances with banks are overdue or impaired as at 31 December 2014 (2013: nil).

Conditional deposit with NBRK consists of funds of KZT 2,000,000 thousand received from Development Bank of Kazakhstan JSC ("DBK") and KZT 2,139,851 thousand received from Entrepreneurship Development Fund DAMU JSC ("DAMU") in accordance with the loan agreements with DBK and DAMU. Funds will be distributed to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK and DAMU, respectively.

Concentration of deposits and balances with banks

As at 31 December 2014 1 bank (2013: nil) has balances that exceed 10% of equity. The gross value of this balance as at 31 December 2014 is KZT 7,421,953 thousand.

15 Loans to customers

	2014 KZT'000	2013 KZT'000
Loans to corporate customers		
Loans to large corporate	268,007,779	188,416,876
Loans to small and medium size companies	31,006,297	35,311,935
Total loans to corporate customers	**299,014,076**	**223,728,811**
Loans to retail customers		
Car loans	144,162,438	76,326,793
Uncollateralised consumer loans	139,935,365	127,075,786
Mortgage loans	16,174,953	17,943,436
Small business loans	15,058,722	16,664,846
Loans collateralised by cash	36,138	171,172
Private banking loans	-	150,894
Total loans to retail customers	**315,367,616**	**238,332,927**
Gross loans to customers	**614,381,692**	**462,061,738**
Impairment allowance	(32,088,784)	(35,548,020)
Net loans to customers	**582,292,908**	**426,513,718**

15 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the period ended 31 December 2014 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	13,837,554	21,710,466	35,548,020
Net charge	1,139,195	8,624,055	9,763,250
Write-offs	(7,763,395)	(6,218,708)	(13,982,103)
Effect of foreign currency translation	535,399	224,218	759,617
Balance at the end of the year	**7,748,753**	**24,340,031**	**32,088,784**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	13,562,121	15,291,009	28,853,130
Net charge	1,492,949	6,763,747	8,256,696
Write-offs	(1,302,333)	(396,376)	(1,698,709)
Effect of foreign currency translation	84,817	52,086	136,903
Balance at the end of the year	**13,837,554**	**21,710,466**	**35,548,020**

The following table provides information by types of loan products as at 31 December 2014:

	Gross amount KZT'000	Impairment allowance KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporate	268,007,779	(5,747,579)	262,260,200
Loans to small and medium size companies	31,006,297	(2,001,174)	29,005,123
Loans to retail customers			
Car loans	144,162,438	(1,404,052)	142,758,386
Uncollateralised consumer loans	139,935,365	(15,936,493)	123,998,872
Mortgage loans	16,174,953	(2,072,561)	14,102,392
Small business loans	15,058,722	(4,926,925)	10,131,797
Loans collateralised by cash	36,138	-	36,138
Balance at the end of the year	**614,381,692**	**(32,088,784)**	**582,292,908**

The following table provides information by types of loan products as at 31 December 2013:

	Gross amount KZT'000	Impairment allowance KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporate	188,416,876	(10,639,263)	177,777,613
Loans to small and medium size companies	35,311,935	(3,198,291)	32,113,644
Loans to retail customers			
Uncollateralised consumer loans	127,075,786	(13,701,486)	113,374,300
Car loans	76,326,793	(695,374)	75,631,419
Mortgage loans	17,943,436	(2,257,456)	15,685,980
Small business loans	16,664,846	(5,055,072)	11,609,774
Loans collateralised by cash	171,172	(481)	170,691
Private banking loans	150,894	(597)	150,297
Balance at the end of the year	**462,061,738**	**(35,548,020)**	**426,513,718**

15 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2014 and 2013:

	2014 KZT'000	2013 KZT'000
Loans to corporate customers		
Loans to large corporate		
Loans without individual signs of impairment:		
Standard not overdue loans	236,703,652	169,875,966
Overdue loans:		
- overdue 30-89 days	17,966,816	62,998
- overdue 90-179 days	38,679	474,453
- overdue 180-360 days	94,470	-
- overdue more than 360 days	561,577	590,841
Total loans without individual signs of impairment	255,365,194	171,004,258
Loans with individual signs of impairment:		
- not overdue	8,606,064	5,332,330
- overdue less than 90 days	543,504	1,562,520
- overdue more than 90 days and less than 360 days	95,178	6,798,337
- overdue more than 360 days	3,397,839	3,719,431
Total loans with individual signs of impairment	12,642,585	17,412,618
Total loans to large corporate	**268,007,779**	**188,416,876**
Impairment allowance on loans to large corporates	(5,747,579)	(10,639,263)
Net loans to large corporate	**262,260,200**	**177,777,613**
Loans to small and medium size companies		
Loans without individual signs of impairment:		
Standard not overdue loans	22,514,970	26,467,286
Overdue loans:		
- overdue less than 30 days	-	505,370
- overdue 30-89 days	44,618	371,260
- overdue 90-179 days	93,030	17,891
- overdue 180-360 days	1,133,247	280,732
- overdue more than 360 days	727,388	265,412
Total loans without individual signs of impairment	24,513,253	27,907,951
Loans with individual signs of impairment:		
- not overdue	3,076,738	4,800
- overdue less than 90 days	-	2,708,445
- overdue more than 90 days and less than 360 days	34,245	1,059,221
- overdue more than 360 days	3,382,061	3,631,518
Total loans with individual signs of impairment	6,493,044	7,403,984
Total loans to small and medium size companies	**31,006,297**	**35,311,935**
Impairment allowance on loans to small and medium size companies	(2,001,174)	(3,198,291)
Net loans to small and medium size companies	**29,005,123**	**32,113,644**
Total loans to corporate customers	**299,014,076**	**223,728,811**
Total impairment allowance on loans to corporate customers	(7,748,753)	(13,837,554)
Total net loans to corporate customers	**291,265,323**	**209,891,257**

15 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	2014 KZT'000	2013 KZT'000
Loans to retail customers		
Car loans		
- not overdue	132,459,740	72,375,086
- overdue less than 30 days	3,913,919	1,497,963
- overdue 30-89 days	2,273,505	773,138
- overdue 90-179 days	1,730,633	480,355
- overdue 180-360 days	1,892,164	387,834
- overdue more than 360 days	1,892,477	812,417
Total car loans	**144,162,438**	**76,326,793**
Impairment allowance on car loans	(1,404,052)	(695,374)
Net car loans	**142,758,386**	**75,631,419**
Uncollateralised consumer loans		
- not overdue	103,554,454	100,457,673
- overdue less than 30 days	5,720,934	4,724,230
- overdue 30-89 days	3,692,664	3,769,471
- overdue 90-179 days	3,664,340	3,939,109
- overdue 180-360 days	7,324,514	6,206,142
- overdue more than 360 days	15,978,459	7,979,161
Total uncollateralised consumer loans	**139,935,365**	**127,075,786**
Impairment allowance on uncollateralised consumer loans	(15,936,493)	(13,701,486)
Net uncollateralised consumer loans	**123,998,872**	**113,374,300**
Mortgage loans		
- not overdue	9,194,662	11,453,483
- overdue less than 30 days	659,737	1,343,731
- overdue 30-89 days	534,359	552,563
- overdue 90-179 days	956,468	353,485
- overdue 180-360 days	692,580	369,221
- overdue more than 360 days	4,137,147	3,870,953
Total mortgage loans	**16,174,953**	**17,943,436**
Impairment allowance on mortgage loans	(2,072,561)	(2,257,456)
Net mortgage loans	**14,102,392**	**15,685,980**
Small business loans		
- not overdue	7,070,659	8,449,223
- overdue less than 30 days	50,739	76,626
- overdue 30-89 days	112,856	1,366,019
- overdue 90-179 days	69,963	107,943
- overdue 180-360 days	445,051	760,303
- overdue more than 360 days	7,309,454	5,904,732
Total small business loans	**15,058,722**	**16,664,846**
Impairment allowance on small business loans	(4,926,925)	(5,055,072)
Net small business loans	**10,131,797**	**11,609,774**
Loans collateralised by cash		
- not overdue	36,138	171,172
Total loans collateralised by cash	**36,138**	**171,172**
Impairment allowance on loans collateralised by cash	-	(481)
Net loans collateralised by cash	**36,138**	**170,691**
Total private banking loans – not overdue	**-**	**150,894**
Impairment allowance on private banking loans	-	(597)
Net private banking loans	**-**	**150,297**
Total loans to retail customers	**315,367,616**	**238,332,927**
Total impairment allowance on loans to retail customers	(24,340,031)	(21,710,466)
Total net loans to retail customers	**291,027,585**	**216,622,461**
Total loans to customers	**614,381,692**	**462,061,738**
Total impairment allowance on loans to customers	(32,088,784)	(35,548,020)
Total net loans to customers	**582,292,908**	**426,513,718**

15 Loans to customers, continued

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

(i) Loans to corporate customers

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

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

- historical annual loss rates of 0.55-1.13% p.a.
- a discount of between 15% and 50% to the originally appraised value if the property pledged is sold
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2014 would be KZT 2,912,653 thousand lower/higher (2013: KZT 2,098,913 thousand lower/higher).

(ii) Loans to retail customers

The Bank estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 2-6 years
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 2-6 years, adjusted for more recent recovery experience based on 'payment request orders' ("PTP"), which are sent to other banks in Kazakhstan to request payments in case of the existence of current accounts or deposits of the Bank's borrowers in those banks. The PTP program was launched in May 2013 and collections continued to grow through 2014. Management believes that the Bank will further be able to maintain collections from PTP based on the 2014 pattern. If the Bank did not take into account the effect of the PTP program, the impairment allowance on loans to retail customers as at 31 December 2014 would be KZT 5,659,229 thousand higher.
- a discount of between 15% and 50% to the annually appraised value if the property pledged is sold
- a delay of 12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2014 would be KZT 8,730,828 thousand lower/higher (2013: KZT 6,498,674 thousand lower/higher).

15 Loans to customers, continued

(c) Analysis of collateral

(i) Loans to corporate customers

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

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2014 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as at reporting date	Fair value of collateral - for collateral assessed as at loan inception date	Fair value of collateral not determined
Loans without individual signs of impairment				
Real estate	67,738,247	57,772,089	9,966,158	-
Future contract revenues	65,503,697			65,503,697
Insurance	39,231,141	-	-	39,231,141
Grain	24,981,565	20,621,510	4,360,055	-
Motor vehicles	17,600,423	6,578,168	11,022,255	-
Equipment	10,742,365	8,802,009	1,940,356	-
Construction in progress	7,119,811	7,119,811	-	-
Subsoil use	6,187,976	6,187,976	-	-
Corporate guarantees (unrated) and guarantees of individuals	2,571,342	-	-	2,571,342
Cash and deposits	4,061,675	-	4,061,675	-
Goods in turnover	1,392,070	914,946	477,124	-
Other	4,717,218	4,717,218	-	-
No collateral or other credit enhancement	25,170,872	-	-	25,170,872
Total loans without individual signs of impairment	**277,018,402**	**112,713,727**	**31,827,623**	**132,477,052**
Overdue or impaired loans				
Real estate	9,290,274	4,129,407	5,160,867	-
Future contract revenues	2,098,116	-	-	2,098,116
Equipment	1,294,171	1,219,470	74,701	-
Motor vehicles	218,560	217,915	645	-
Grain	100,100	100,100	-	-
Corporate guarantees (unrated) and guarantees of individuals	35,417	-	-	35,417
Insurance	26,532	-	-	26,532
Goods in turnover	17,807	13,310	4,497	-
Cash and deposits	12,927	-	12,927	-
Other	3,847	-	3,847	-
No collateral or other credit enhancement	1,149,170	-	-	1,149,170
Total overdue or impaired loans	**14,246,921**	**5,680,202**	**5,257,484**	**3,309,235**
Total loans to corporate customers	**291,265,323**	**118,393,929**	**37,085,107**	**135,786,287**

15 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

31 December 2013 KZT'000	**Loans to customers, carrying amount**	**Fair value of collateral - for collateral assessed as at reporting date**	**Fair value of collateral - for collateral assessed as at loan inception date**	**Fair value of collateral not determined**
Loans without individual signs of impairment				
Real estate	46,652,033	35,463,008	11,189,025	-
Future contract revenues	32,941,117	-	-	32,941,117
Insurance	31,877,015	-	-	31,877,015
Grain	22,042,993	22,042,993	-	-
Equipment	11,256,861	9,669,174	1,587,687	-
Construction in progress	9,311,377	9,311,377	-	-
Motor vehicles	7,456,973	6,471,473	985,500	-
Cash and deposits	2,151,523	-	2,151,523	-
Goods in turnover	1,114,698	849,582	265,116	-
Corporate guarantees (unrated) and guarantees of individuals	197,485	-	-	197,485
Subsoil use	45,171	45,171	-	-
Other	3,282,610	3,277,130	5,480	-
No collateral or other credit enhancement	27,992,373	-	-	27,992,373
Total loans without individual signs of impairment	**196,322,229**	**87,129,908**	**16,184,331**	**93,007,990**
Overdue or impaired loans				
Real estate	5,632,792	3,509,482	2,123,310	-
Goods in turnover	1,954,431	1,728,460	225,971	-
Future contract revenues	1,792,788	-	-	1,792,788
Insurance	854,400	-	-	854,400
Equipment	510,837	-	510,837	-
Motor vehicles	337,360	227,427	109,933	-
Cash and deposits	160,324	-	160,324	-
Corporate guarantees (unrated) and guarantees of individuals	5,032	-	-	5,032
No collateral or other credit enhancement	2,321,064	-	-	2,321,064
Total overdue or impaired loans	**13,569,028**	**5,465,369**	**3,130,375**	**4,973,284**
Total loans to corporate customers	**209,891,257**	**92,595,277**	**19,314,706**	**97,981,274**

The tables above exclude overcollateralisation.

The Bank has loans, for which the fair value of collateral was assessed at the loan inception date and has not been updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

15 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Small business loans are secured by real estate and movable property. Car loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 2,369,001 thousand (31 December 2013: KZT 3,965,038 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 1,113,122 thousand (31 December 2013: KZT 2,399,554 thousand).

For mortgage loans with a net carrying amount of KZT 11,733,391 thousand (31 December 2013: KZT 11,720,942 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

For mortgage loans with a net carrying amount of KZT 11,654,514 thousand (31 December 2013: KZT 13,224,261 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Management estimates that the impairment allowance would have been higher by KZT 2,164,762 thousand (31 December 2013: KZT 525,835 thousand) for car loans without any collateral.

Small business loans

Included in small business loans are loans with a net carrying amount of KZT 668,011 thousand (31 December 2013: KZT 2,657,990 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 313,971 thousand (31 December 2013: KZT 2,644,668 thousand).

For small business loans with a net carrying amount of KZT 9,463,786 thousand (31 December 2013: KZT 8,951,784 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

15 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers, continued

For small business loans with a net carrying amount of KZT 6,352,054 thousand (31 December 2013: KZT 7,104,027 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Kazakhstan who operate in the following economic sectors:

	2014 KZT'000	2013 KZT'000
Loans to corporate customers		
Wholesale trade	98,778,669	67,336,115
Construction	44,495,229	27,739,290
Transport	36,380,918	14,587,091
Agriculture, forestry and timber	33,376,046	33,448,588
Manufacturing	19,173,584	11,250,637
Services	17,197,487	12,250,035
Mining/metallurgy	15,438,293	13,751,948
Retail trade	11,867,613	12,632,172
Lease, rental and leasing	5,427,276	5,930,612
Foods production	4,604,354	5,962,130
Research and activities	2,638,171	3,407,717
Financial intermediary	1,710,219	2,414,703
Medical and social care	1,406,947	1,705,085
Energy production and supply	875,747	3,401,557
Entertainment	598,731	584,241
Publishing	301,704	396,656
Real estate	164,109	1,336,098
Other	4,578,979	5,594,136
Loans to retail customers		
Car loans	144,162,438	76,326,793
Uncollateralised consumer loans	139,935,365	127,075,786
Mortgage loans	16,174,953	17,943,436
Small business loans	15,058,722	16,664,846
Loans collateralised by cash	36,138	171,172
Private banking loans	-	150,894
	614,381,692	**462,061,738**
Impairment allowance	(32,088,784)	(35,548,020)
	582,292,908	**426,513,718**

15 Loans to customers, continued

(e) Significant credit exposures

As at 31 December 2014 the Bank has 9 borrowers or groups of connected borrowers (31 December 2013: 7), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2014 is KZT 108,160,684 thousand (31 December 2013: KZT 56,119,420 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(g) Transfers of financial assets

During 2014, the Bank sold to a third party a portfolio of consumer loans with a carrying value of KZT 22,367,887 thousand for KZT 23,125,868 thousand under cession agreements. The net gain recognised in the unconsolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 757,981 thousand.

In June 2014, the Bank sold to an another third party a portfolio of mortgage loans with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand (in December 2013: a portfolio of mortgage loans of KZT 12,509,133 thousand was sold to the same third party for KZT 13,242,692 thousand) and provided a guarantee to the buyer that it will repurchase individual loans back or exchange them for other individual loans if loans become delinquent for more than sixty days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of the sale. The net gain recognised in the unconsolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 154,752 thousand (2013: KZT 707,582 thousand). The Bank has determined that it has transferred some but not substantially all of the risks and rewards to the transferee, accordingly the Bank retains control and continues to recognise the loans to the extent of its continuing involvement in that mortgage loans.

As at 31 December 2014 and 2013 the Bank’s continuing involvement with such transferred portfolio is recorded in the unconsolidated statement of financial position in other assets (Note 19) of KZT 5,547,428 thousand (31 December 2013: KZT 4,235,721 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 4,653,790 thousand (31 December 2013: KZT 3,905,380 thousand) (Note 26) and the guarantee with the fair value of KZT 102,456 thousand (31 December 2013: KZT 102,707 thousand) recognised in other liabilities. This asset includes also an interest strip receivable of KZT 1,420,864 thousand (31 December 2013: KZT 1,090,077 thousand) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Bank has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

16 Held-to-maturity investments

	2014 KZT'000	2013 KZT'000
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	14,436,547	14,074,495
Notes of the NBRK	15,336,656	-
Corporate bonds rated from BB- to BB+	2,736,497	-
	32,509,700	**14,074,495**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	569,059	9,387,811
Notes of the NBRK	2,105,498	-
	35,184,257	**23,462,306**

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

No notes or bonds are overdue or impaired as at 31 December 2014 (31 December 2013: nil).

17 Investment in subsidiary

As at 31 December 2014 and 31 December 2013 the Bank has one subsidiary, which is accounted for at cost.

Name	Country of incorporation	Activities	Proportion of ownership interest, % 31 December 2014	Carrying amount KZT’000 31 December 2014	Proportion of ownership interest, % 31 December 2013	Carrying amount KZT’000 31 December 2013
Eurasian Bank OJSC, Moscow	Russian Federation	Banking	99.99	5,607,853	99.99	5,607,853
				5,607,853		**5,607,853**

On 1 April 2010 the Bank acquired 99.99% share in Russian bank Bank Troika Dialog OJSC from third parties for a total consideration of USD 22,075 thousand and RUB 150 thousand, satisfied in cash. The Parent company acquired the remaining 0.01% share for USD 0.09.

In October and December 2013 the Bank made additional contribution into subsidiary’s charter capital in amount KZT 2,362,500 thousand.

18 Property, equipment and intangible assets

KZT'000	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademark	Computer software and other intangibles	Total
Cost									
Balance at 1 January 2014	10,488,777	10,685,063	677,997	719,842	83,016	547,731	1,075,716	4,210,249	28,488,391
Additions	796,166	2,681,834	152,415	103,110	400,831	401,683	-	2,141,423	6,677,462
Disposals	(173,655)	(637,712)	(6,912)	(18,798)	(669)	(56,753)	-	(57,027)	(951,526)
Balance at 31 December 2014	**11,111,288**	**12,729,185**	**823,500**	**804,154**	**483,178**	**892,661**	**1,075,716**	**6,294,645**	**34,214,327**
Depreciation and amortisation									
Balance at 1 January 2014	(1,190,871)	(4,448,117)	(344,142)	(208,185)	-	(282,719)	(248,574)	(2,300,657)	(9,023,265)
Depreciation and amortisation for the year	(254,218)	(1,935,853)	(76,423)	(78,672)	-	(89,818)	(103,411)	(738,387)	(3,276,782)
Disposals	235	551,364	6,912	13,698	-	56,753	-	15,565	644,527
Balance at 31 December 2014	**(1,444,854)**	**(5,832,606)**	**(413,653)**	**(273,159)**	**-**	**(315,784)**	**(351,985)**	**(3,023,479)**	**(11,655,520)**
Carrying amount									
At 31 December 2014	**9,666,434**	**6,896,579**	**409,847**	**530,995**	**483,178**	**576,877**	**723,731**	**3,271,166**	**22,558,807**

18 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademark	Computer software and other intangibles	Total
Cost									
Balance at 1 January 2013	9,716,037	7,408,967	543,676	571,440	82,091	300,143	1,075,716	3,356,923	23,054,993
Additions	772,740	3,456,032	139,118	155,008	925	252,224	-	853,326	5,629,373
Disposals	-	(179,936)	(4,797)	(6,606)	-	(4,636)	-	-	(195,975)
Balance at 31 December 2013	**10,488,777**	**10,685,063**	**677,997**	**719,842**	**83,016**	**547,731**	**1,075,716**	**4,210,249**	**28,488,391**
Depreciation and amortisation									
Balance at 1 January 2013	(955,350)	(3,273,766)	(287,370)	(150,192)	-	(245,661)	(143,429)	(1,517,033)	(6,572,801)
Depreciation and amortisation for the year	(235,521)	(1,338,701)	(61,569)	(63,019)	-	(41,694)	(105,145)	(783,624)	(2,629,273)
Disposals	-	164,350	4,797	5,026	-	4,636	-	-	178,809
Balance at 31 December 2013	**(1,190,871)**	**(4,448,117)**	**(344,142)**	**(208,185)**	**-**	**(282,719)**	**(248,574)**	**(2,300,657)**	**(9,023,265)**
Carrying amount									
At 31 December 2013	**9,297,906**	**6,236,946**	**333,855**	**511,657**	**83,016**	**265,012**	**827,142**	**1,909,592**	**19,465,126**

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

19 Other assets

	2014 KZT'000	2013 KZT'000
Accounts receivable for sold consumer loans	9,247,679	-
Asset from continuing involvement in transferred assets	5,547,428	4,235,721
Debtors on letters of credit	2,395,174	3,265,562
Accrued commission income	1,306,578	1,158,797
Payment cards settlements	937,119	525,003
Debtors on loan operations	884,828	852,089
Receivables from insurance company	-	174,710
Other	1,312,642	751,683
Impairment allowance	(850,977)	(548,429)
Total other financial assets	**20,780,471**	**10,415,136**
Advances for capital expenditures	2,089,642	2,416,402
Taxes prepaid other than on income tax	604,546	205,115
Prepayments	416,026	118,721
Materials and supplies	179,939	200,804
Total other non-financial assets	**3,290,153**	**2,941,042**
Total other assets	**24,070,624**	**13,356,178**

Asset from continuing involvement in transferred assets in amount of KZT 5,547,428 thousand (31 December 2013: KZT 4,235,721 thousand) arose as a result of loans sale to mortgage company in June 2014 and December 2013.

Analysis of movements in the impairment allowance

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

	2014 KZT'000	2013 KZT'000
Balance at the beginning of the year	548,429	403,949
Net charge (recovery)	260,287	(37,271)
(Write-offs) recoveries	(7,093)	177,217
Effect of foreign currency translation	49,354	4,534
Balance at the end of the year	**850,977**	**548,429**

As at 31 December 2014, included in other assets are overdue receivables of KZT 23,849 thousand (31 December 2013: KZT 18,081 thousand), of which KZT 4,450 thousand (31 December 2013: KZT 5,661 thousand) are overdue for more than 90 days but less than one year and KZT 15,245 thousand are overdue for more than one year (31 December 2013: KZT 7,077 thousand).

20 Deposits and balances from banks

	2014 KZT'000	2013 KZT'000
Term deposits	3,108,267	12,182,451
Vostro accounts	209,045	425,604
	3,317,312	**12,608,055**

As at 31 December 2014 the Bank has no banks whose balances exceed 10% of equity (31 December 2013: nil).

21 Amounts payable under repurchase agreements

Securities pledged

As at 31 December 2014 and 2013 the Bank has pledged certain securities as collateral under repurchase agreements (Note 13, 16).

22 Current accounts and deposits from customers

	2014 KZT'000	2013 KZT'000
Current accounts and demand deposits		
- Retail	13,794,801	15,161,887
- Corporate	59,365,784	49,936,199
Term deposits		
- Retail	154,715,096	125,059,041
- Corporate	315,681,152	211,623,978
	543,556,833	**401,781,105**

As at 31 December 2014, the Bank maintains customer deposit balances of KZT 3,166,486 thousand (31 December 2013: KZT 3,095,332 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Bank.

As at 31 December 2014, the Bank has 12 customers (31 December 2013: 11 customers), whose balances exceed 10% of equity. These balances as at 31 December 2014 are KZT 249,067,801 thousand (31 December 2013: KZT 137,200,872 thousand).

23 Debt securities issued

	2014 KZT'000	2013 KZT'000
Par value	103,492,180	31,960,649
(Discount) premium	(1,875,565)	105,413
Accrued interest	1,625,992	844,706
	103,242,607	**32,910,768**

A summary of bond issues at 31 December 2014 and 2013 is presented below:

					Carrying amount	
	Issue registration date	**Maturity**	**Coupon rate**	**Effective rate**	**2014 KZT'000**	**2013 KZT'000**
Bonds of the fifth issue	9-Jul-08	1-Sep-23	inflation +1%	9.43%	7,667,789	7,719,479
Bonds of the seventh issue	24-Sep-08	21-Jan-19	inflation +1%	7.89%	1,421,330	1,404,906
Bonds of the ninth issue	15-Oct-08	15-Oct-15	13.00%	9.94%	20,957,912	21,484,606
Bonds of the tenth issue	7-Jun-11	13-Jul-14	7.00%	7.60%	-	2,301,777
USD denominated eurobonds	6-Nov-14	6-Nov-17	7.50%	8.33%	73,195,576	-
					103,242,607	**32,910,768**

24 Subordinated debt securities issued

	2014 KZT'000	2013 KZT'000
Par value	29,984,550	40,000,000
Discount	(4,393,639)	(4,959,365)
Accrued interest	437,784	628,653
	26,028,695	**35,669,288**

As at 31 December 2014 subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Bank.

A summary of bond issues at 31 December 2014 and 2013 is presented below:

					Carrying amount	
	Issue registration date	Maturity	Coupon rate	Effective rate	2014 KZT'000	2013 KZT'000
Bonds of the fourth issue	29-Jun-07	4-Sep-14	inflation +1%	11.34%	-	9,938,138
Bonds of the sixth issue	4-Aug-08	1-Sep-15	11.00%	10.96%	5,181,521	5,183,652
Bonds of the eighth issue	15-Oct-08	15-Oct-23	inflation +1%	13.40%	11,084,476	10,832,008
Bonds of the eleventh issue	20-Nov-12	26-Dec-19	8.00%	8.64%	9,749,850	9,715,490
Bonds of the thirteenth issue	26-Nov-13	10-Jan-24	9.00%	12.49%	12,848	-
					26,028,695	**35,669,288**

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the KZT economic environment and it is not leveraged and accordingly has not been separated from the underlying data.

25 Other borrowed funds

	2014 KZT'000	2013 KZT'000
Loans from state financial institutions	34,964,212	17,783,211
Loans from the Ministry of Finance of the Republic of Kazakhstan	1,264,939	1,344,023
Loans from foreign banks	1,633,422	2,283,115
	37,862,573	**21,410,349**

As at 31 December 2014, the terms and conditions of the loans outstanding are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	1.10-8.62%	2015-2034	19,523,987
KazAgro National Management Holding JSC	KZT	3.00%	2015-2021	13,438,003
Development Bank of Kazakhstan JSC	KZT	2.00%	2034	2,002,222
The Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024-2026	908,114
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024-2025	356,825
Foreign banks	USD	4.46%-4.51%	2015	1,633,422
				37,862,573

25 Other borrowed funds, continued

As at 31 December 2013, the terms and conditions of the loans outstanding are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	5.50-8.62%	2014-2020	17,783,211
The Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024-2026	1,009,017
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024-2025	335,006
Foreign banks	EUR	6.47%	2014	139,366
Foreign banks	USD	4.00-4.53%	2014	2,143,749
				21,410,349

Loans from the KazAgro National Management Holding JSC ("KazAgro") were received in accordance with the rules of its programme on financial recovery of companies operating in the agriculture industry. Loans from DAMU and DBK were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME"s) operating in certain industries.

According to the loan agreements between KazAgro and the Bank, the Bank is responsible to extending loans to companies operating in the agriculture industry to support their financial recovery. According to the DAMU and DBK loan agreements, the Bank is responsible to extend loans to SME borrowers, eligible to participate in the Program, with maximum maturity up to 10 years at 6% interest rate. Management of the Bank believes that due to their specific nature, the loans from KazAgro, DAMU and DBK represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from KazAgro, DAMU and DBK are regarded as having been received on an "arm's length" basis and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

26 Other liabilities

	2014 KZT'000	2013 KZT'000
Liability from continuing involvement (Note 15(g))	4,653,790	3,905,380
Prepayments for loans	4,392,583	4,070,655
Payment cards settlements	866,762	281,062
Accrued administrative expenses	350,342	342,707
Payables to insurance company	240,763	135,315
Payables to borrowers on lending operations	199,464	233,836
Payables to obligatory deposit guarantee fund	184,849	153,528
Capital expenditures payables	10,165	257,152
Other financial liabilities	1,129,195	517,039
Total other financial liabilities	**12,027,913**	**9,896,674**
Vacation reserve	614,239	544,396
Deferred income	441,238	390,787
Other taxes payable	282,285	308,311
Amounts payable to employees	262,968	924,031
Other non-financial liabilities	9	8
Total other non-financial liabilities	**1,600,739**	**2,167,533**
Total other liabilities	**13,628,652**	**12,064,207**

Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the instalments fall due.

27 Share capital

(a) Issued capital and share premium

The authorised share capital comprises 33,000,000 ordinary shares (2013: 33,000,000) and 3,000,000 non-redeemable cumulative preference shares (2013: 3,000,000).

Issued and outstanding share capital as at 31 December comprised of the following fully paid ordinary shares:

	2014 Shares	2013 Shares
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	2,280,881	2,280,881
Total issued and outstanding shares	**16,211,133**	**16,211,133**

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

(b) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

During the year ended 31 December 2014 dividends of KZT 1,500,016 thousand or KZT 92.53 per share were declared and paid (31 December 2013: KZT 2,000,129 thousand or KZT 123.38 per share were declared and paid).

(c) Nature and purpose of reserves

Reserves for general banking risks

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

During the year ended 31 December 2014, no transfers to general reserve were made. During the year ended 31 December 2013, the Bank made a transfer from retained earnings to the reserve for general banking risks in the amount of KZT 1,584,658 thousand.

In accordance with the amendments to the Resolution # 358 "On approval of the Instruction of normative coefficients and methods of calculation of prudential norms for the second tier banks" issued on 25 December 2013 the statutory reserve capital is non-distributable.

27 Share capital, continued

(c) Nature and purpose of reserves, continued

Dynamic reserve

In accordance with the NRBK Resolution #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss, the Bank has established a dynamic reserve calculated using a formula determined in the Rules. In accordance with the Rules, the dynamic reserve cannot be less than zero and shall be calculated as the difference between expected losses and actual charge on deductible for tax purposes impairment losses recognised during the reporting quarter in accordance with IFRS net of income from recovery of provisions. Expected losses are estimated based on the increase of loans to customers during the reporting quarter multiplied by certain coefficients. The Resolution has been effective from 1 January 2013.

During 2014, the dynamic reserve was temporarily fixed by the NBRK at the level of 31 December 2013.

As at 31 December 2014 and 2013 the non-distributable dynamic reserve of the Bank is KZT 6,733,233 thousand.

28 Earnings per share

The calculation of earnings per share is based on the net profit, and a weighted average number of ordinary shares outstanding during the period, calculated as shown below. The Bank has no dilutive potential ordinary shares.

	2014 KZT'000	2013 KZT'000
Net profit	11,018,398	12,914,949
Weighted average number of ordinary shares	16,211,133	16,211,133
Earnings per ordinary share, in KZT	**679.68**	**796.67**

29 Analysis by segment

The Bank has five reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board (the "Chairman"), reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- Retail banking – includes loans, deposits and other transactions with retail customers
- Corporate banking – includes loans, deposits and other transactions with corporate customers
- Assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK and other banks, interbank financing (up to 1 month), investments into liquid assets and bonds issue management
- Small and medium size companies banking - includes loans, deposits and other transactions with small and medium size companies
- Treasury – includes group financing via interbank borrowings and using derivatives for hedging market risks and investments into liquid securities (corporate bonds).
- Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

29 Analysis by segment, continued

	2014 KZT'000	2013 KZT'000
ASSETS		
Retail banking	283,613,022	199,704,943
Corporate banking	254,144,549	177,625,586
Assets and liabilities management	145,493,736	100,214,047
Small and medium size companies banking	40,678,626	44,099,466
Treasury	2,874,478	4,384,929
Unallocated assets	109,163,588	61,403,133
Total assets	**835,967,999**	**587,432,104**
LIABILITIES		
Corporate banking	332,921,698	224,544,900
Retail banking	165,272,579	136,239,660
Assets and liabilities management	137,458,516	94,851,933
Small and medium size companies banking	37,683,676	41,782,949
Unallocated liabilities	94,368,780	31,242,480
Total liabilities	**767,705,249**	**528,661,922**

Reconciliations of reportable segment total assets and total liabilities:

	2014 KZT'000	2013 KZT'000
Reportable segment total assets	835,967,999	587,432,104
Other adjustments	(30,923,096)	(3,162,814)
Total assets	**805,044,903**	**584,269,290**

	2014 KZT'000	2013 KZT'000
Reportable segment total liabilities	767,705,249	528,661,922
Other adjustments	(30,923,095)	(3,159,489)
Total liabilities	**736,782,154**	**525,502,433**

29 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2014 is set out below:

KZT'000	Corporate banking	Small and medium size companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated	Total
Interest income	22,551,716	4,619,251	43,306,111	93,303	1,683,792	593	72,254,766
Fee and commission income	1,952,864	1,721,698	16,074,087	-	-	395,840	20,144,489
Net gain on securities, dealing and translation differences	1,178,290	439,346	1,323,145	762,118	734	1,221	3,704,854
Other income	199,342	111,908	2,953,251	-	-	-	3,264,501
Funds transfer pricing	21,962,635	3,243,102	12,472,676	2,560	20,457,337	107,667	58,245,977
Revenue	**47,844,847**	**10,135,305**	**76,129,270**	**857,981**	**22,141,863**	**505,321**	**157,614,587**
Interest expense	(15,668,188)	(2,576,369)	(10,740,196)	(16,028)	(10,169,049)	(1,075,490)	(40,245,320)
Fee and commission expense	(182,748)	(46,159)	(3,581,541)	(10,614)	(164,140)	(181,017)	(4,166,219)
Impairment losses	(419,017)	(812,367)	(8,119,598)	-	-	-	(9,350,982)
Funds transfer pricing	(16,519,241)	(2,906,689)	(28,279,748)	(201,056)	(10,169,049)	(170,194)	(58,245,977)
Operational costs (direct)	(1,276,946)	(1,421,524)	(10,816,094)	(196,042)	(1,917,995)	(160,428)	(15,789,029)
Operational costs (indirect)	(1,747,765)	(979,318)	(12,381,844)	-	(313,668)	(262,441)	(15,685,036)
Corporate income tax	(954,589)	(301,311)	(1,813,802)	(45,493)	(1,517)	(237)	(3,116,949)
Segment result	**11,076,353**	**1,091,568**	**396,447**	**388,748**	**(593,555)**	**(1,344,486)**	**11,015,075**
Other segment items							
Additions of property and equipment	-	-	184,482	-	-	6,492,980	6,677,462
Depreciation and amortisation	(350,390)	(240,614)	(2,332,972)	(45,538)	(214,366)	(92,902)	(3,276,782)

29 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2013 is set out below:

KZT'000	Corporate banking	Small and medium size companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated	Total
Interest income	18,567,552	6,142,194	36,219,214	159,772	1,077,999	51,915	62,218,646
Fee and commission income	2,045,590	1,519,068	13,292,143	-	-	391,655	17,248,456
Net gain on securities, dealing and translation differences	875,604	318,519	570,232	515,926	(136,558)	2,704	2,146,427
Other income	343,263	155,019	1,535,946	-	-	-	2,034,228
Funds transfer pricing	16,438,708	1,465,734	9,484,967	-	16,773,799	114,610	44,277,818
Revenue	**38,270,717**	**9,600,534**	**61,102,502**	**675,698**	**17,715,240**	**560,884**	**127,925,575**
Interest expense	(10,965,913)	(1,658,956)	(8,601,018)	-	(7,396,254)	(76,030)	(28,698,171)
Fee and commission expense	(91,959)	(33,424)	(2,248,357)	(7,289)	(92,644)	(137,340)	(2,611,013)
Impairment losses	(947,111)	(185,623)	(7,007,638)	-	(4,290)	2,956	(8,141,706)
Funds transfer pricing	(12,964,502)	(3,636,932)	(20,456,334)	(199,055)	(6,861,868)	(159,127)	(44,277,818)
Operational costs (direct)	(1,156,987)	(1,429,003)	(11,854,831)	(61,117)	(812,890)	(84,695)	(15,399,523)
Operational costs (indirect)	(2,566,013)	(1,492,716)	(6,933,368)	(66,759)	(599,750)	(145,104)	(11,803,710)
Corporate income tax	(1,777,571)	(432,737)	(1,793,142)	(63,341)	-	(6,432)	(4,073,223)
Segment result	**7,800,661**	**731,143**	**2,207,814**	**278,137**	**1,947,544**	**(44,888)**	**12,920,411**
Other segment items							
Additions of property and equipment	-	-	147,351	-	-	5,482,022	5,629,373
Depreciation and amortisation	(166,824)	(300,367)	(1,894,808)	(15,548)	(193,596)	(58,130)	(2,629,273)

29 Analysis by segment, continued

Reconciliations of reportable segment revenues and profit or loss:

	2014 KZT'000	2013 KZT'000
Reportable segment revenue	157,614,587	127,925,575
Funds transfer pricing	(58,245,977)	(44,277,818)
Other adjustments	(5,923,284)	(3,525,437)
Total revenue	**93,445,326**	**80,122,320**

	2014 KZT'000	2013 KZT'000
Reportable segment profit	11,015,075	12,920,411
Difference in impairment losses	(677,992)	(106,153)
Other adjustments	681,315	100,691
Total profit	**11,018,398**	**12,914,949**

Other adjustments. These adjustments mostly represent netting of other assets and other liabilities. Other adjustments occur due to the fact that the Chairman reviews internal management reports prepared on a gross-up basis whereas for IFRS financial statements purposes netting is made for certain other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing. For the purpose of internal management reporting transfer pricing represents the allocation of income and expense between segments that attract cash resources and to segments that create interest income generating assets using cash resources.

Information about major customers and geographical areas

For the year ended 31 December 2014, there are no corporate customers' revenues from which individually exceed 10% of total revenue.

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

30 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk, liquidity risk and operational risk.

(a) Risk management policies and procedures

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. This review has been initially carried out on behalf of the Board of Directors by its Audit Committee, which comprises three independent non-executive directors. With effect from 1 January 2015, the Board of Directors transferred this responsibility to a newly formed Risk and Internal Controls Committee.

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30 Risk management, continued

(a) Risk management policies and procedures, continued

The Management Board is responsible for monitoring and implementing risk mitigation measures and ensuring that the Bank operates within established risk parameters. The Chief Risk Officer (“CRO”) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman and indirectly, through the Audit Committee (Risk and Internal Controls Committee with effect from 1 January 2015), to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (“ALCO”). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Management Board member of the Bank. Market risk limits are approved by the ALCO based on recommendations of the Risk Management Department.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rate risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilises Value-at-Risk (“VaR”) methodology to monitor market risk of its trading positions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position as at 31 December 2014 and 2013 for major financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2014							
ASSETS							
Cash and cash equivalents	5,522,159	-	-	-	-	104,294,312	109,816,471
Financial instruments at fair value through profit or loss	-	-	-	4,025,156	-	-	4,025,156
Available-for-sale financial assets	2,546,242	20,935	787	2,988,082	343,403	14,387	5,913,836
Deposits and balances with banks	2,265,426	-	5,156,528	-	-	6,007,844	13,429,798
Loans to customers	75,960,412	67,908,668	83,170,191	276,578,758	78,674,879	-	582,292,908
Held-to-maturity investments	17,565,734	24,089	4,016,059	10,920,025	2,658,350	-	35,184,257
	103,859,973	**67,953,692**	**92,343,565**	**294,512,021**	**81,676,632**	**110,316,543**	**750,662,426**
LIABILITIES							
Deposits and balances from banks	2,155,779	-	916,537	-	-	244,996	3,317,312
Amounts payable under repurchase agreements	7,353,570	-	-	-	-	-	7,353,570
Current accounts and deposits from customers	122,555,389	74,084,766	167,281,410	75,086,601	60,229,514	44,319,153	543,556,833
Debt securities issued	1,421,329	1,372,326	28,084,838	72,364,114	-	-	103,242,607
Subordinated debt securities issued	182,443	8,884	16,084,191	9,740,966	12,211	-	26,028,695
Other borrowed funds	2,672,496	1,263,284	4,551,188	17,288,320	12,087,285	-	37,862,573
	136,341,006	**76,729,260**	**216,918,164**	**174,480,001**	**72,329,010**	**44,564,149**	**721,361,590**
	(32,481,033)	**(8,775,568)**	**(124,574,599)**	**120,032,020**	**9,347,622**	**65,752,394**	**29,300,836**

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2013							
ASSETS							
Cash and cash equivalents	27,818,022	-	-	-	-	53,196,137	81,014,159
Available-for-sale financial assets	8,531,885	11,672	995	2,421,122	-	14,198	10,979,872
Deposits and balances with banks	-	-	1,004,645	-	-	1,594,205	2,598,850
Loans to customers	67,760,947	13,321,572	79,726,750	216,731,200	48,973,249	-	426,513,718
Held-to-maturity investments	12,019,283	2,425,890	1,017,294	7,999,839	-	-	23,462,306
	116,130,137	**15,759,134**	**81,749,684**	**227,152,161**	**48,973,249**	**54,804,540**	**544,568,905**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	2,278	2,278
Deposits and balances from banks	9,887,543	-	2,279,333	-	-	441,179	12,608,055
Amounts payable under repurchase agreements	8,803,285	-	-	-	-	-	8,803,285
Current accounts and deposits from customers	41,579,752	44,611,986	159,739,988	94,117,034	11,726,765	50,005,580	401,781,105
Debt securities issued	1,666,155	540,864	9,760,007	20,943,742	-	-	32,910,768
Subordinated debt securities issued	404,139	224,514	20,332,188	5,001,847	9,706,600	-	35,669,288
Other borrowed funds	3,578,391	1,571,497	2,571,278	9,369,350	4,319,833	-	21,410,349
	65,919,265	**46,948,861**	**194,682,794**	**129,431,973**	**25,753,198**	**50,449,037**	**513,185,128**
	50,210,872	**(31,189,727)**	**(112,933,110)**	**97,720,188**	**23,220,051**	**4,355,503**	**31,383,777**

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2014 and 2013. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2014 Average effective interest rate, %			2013 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	-	0.40	-	-	0.79	2.03
Available-for-sale financial assets	3.65	4.41	-	3.16	-	-
Deposits and balances with banks	7.00	5.50	-	-	2.99	-
Loans to customers	19.81	9.32	10.99	20.50	10.95	11.27
Held-to-maturity investments	4.38	6.42	-	3.60	-	-
Interest bearing liabilities						
Deposits and balances from banks						
- Term deposits	9.00	3.50	-	5.44	0.49	1.03
Amounts payable under repurchase agreements	37.23	-	-	3.30	-	-
Current accounts and deposits from customers						
- Corporate customers	10.43	2.71	0.97	7.38	4.45	2.55
- Retail customers	7.68	4.13	2.29	8.90	5.60	3.36
Debt securities issued	9.71	8.33	-	9.28	-	-
Subordinated debt securities issued	11.13	-	-	10.92	-	-
Other borrowed funds						
- Loans from state financial institutions	4.78	-	-	7.79	-	-
- Loans from foreign banks	-	4.49	-	-	4.23	6.47
- Loans from the Ministry of Finance of the Republic of Kazakhstan	5.50	1.83	-	5.50	1.93	-

Interest rate sensitivity analysis

The management of interest rate risk based on an interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical rise or fall in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2014 and 2013 is as follows:

	2014		2013	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	520,394	520,394	30,339	30,339
100 bp parallel rise	(520,394)	(520,394)	(30,339)	(30,339)

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis, continued

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of available-for-sale financial assets due to changes in the interest rates based on positions existing as at 31 December 2014 and 2013 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2014		2013	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	-	99,059	-	52,634
100 bp parallel rise	-	(99,059)	-	(52,634)

(ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank hedges its exposure to currency risk. The Bank manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2014:

	USD KZT'000	**EUR KZT'000**	**RUB KZT'000**	**Other currencies KZT'000**	**Total KZT'000**
ASSETS					
Cash and cash equivalents	79,944,145	3,382,239	2,203,758	282,740	85,812,882
Available-for-sale financial assets	905,587	-	-	-	905,587
Deposits and balances with banks	4,128,619	-	-	-	4,128,619
Loans to customers	87,561,642	4,942,942	1,356,314	-	93,860,898
Held-to-maturity investments	2,736,497	-	-	-	2,736,497
Other financial assets	3,865,048	296,381	783	-	4,162,212
Total assets	**179,141,538**	**8,621,562**	**3,560,855**	**282,740**	**191,606,695**
LIABILITIES					
Deposits and balances from banks	1,108,345	10,747	2	18	1,119,112
Current accounts and deposits from customers	283,720,577	8,570,502	3,696,892	251,844	296,239,815
Debt securities issued	73,195,576	-	-	-	73,195,576
Other borrowed funds	1,990,247	-	-	-	1,990,247
Other financial liabilities	879,530	15,536	4,834	233	900,133
Total liabilities	**360,894,275**	**8,596,785**	**3,701,728**	**252,095**	**373,444,883**
Net position as at 31 December 2014	**(181,752,737)**	**24,777**	**(140,873)**	**30,645**	**(181,838,188)**
The effect of derivatives held for risk management	181,820,000	-	-	-	181,820,000
Net position with the effect of derivatives held for risk management as at 31 December 2014	**67,263**	**24,777**	**(140,873)**	**30,645**	**(18,188)**

30 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	57,378,680	5,575,921	1,368,409	251,592	64,574,602
Deposits and balances with banks	2,594,099	-	-	-	2,594,099
Loans to customers	64,878,389	1,409,494	909,145	-	67,197,028
Other financial assets	4,169,214	472,063	1,115	-	4,642,392
Total assets	**129,020,382**	**7,457,478**	**2,278,669**	**251,592**	**139,008,121**
LIABILITIES					
Deposits and balances from banks	1,045,955	1,810,830	3	16	2,856,804
Current accounts and deposits from customers	125,225,878	4,586,956	3,065,938	200,469	133,079,241
Other borrowed funds	2,478,755	139,366	-	-	2,618,121
Other financial liabilities	281,486	14,852	8,256	364	304,958
Total liabilities	**129,032,074**	**6,552,004**	**3,074,197**	**200,849**	**138,859,124**
Net position as at 31 December 2013	**(11,692)**	**905,474**	**(795,528)**	**50,743**	**148,997**
The effect of derivatives held for risk management	-	(843,922)	843,922	-	-
Net position with the effect of derivatives held for risk management as at 31 December 2013	**(11,692)**	**61,552**	**48,394**	**50,743**	**148,997**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2014 and 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2014		**2013**	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% appreciation of USD against KZT (2013:20%)	5,381	5,381	(1,871)	(1,871)
10% appreciation of EUR against KZT	1,982	1,982	4,924	4,924
10% appreciation of RUB against KZT	(11,270)	(11,270)	3,872	3,872
10% appreciation of other currencies against KZT	2,452	2,452	4,059	4,059

A strengthening of the KZT against the above currencies at 31 December 2014 and 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

30 Risk management, continued

(b) Market risk, continued

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank utilises VaR methodology to monitor market risk of its currency positions.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all potential scenarios, particularly those of an extreme nature
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for an extended period
- the use of a 99 percent confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day
- the VaR measure is dependent on the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of foreign currency risk of the Bank at 31 December is as follows:

	31 December 2014 KZT'000	**31 December 2013 KZT'000**
Foreign exchange risk	161,617	207,128

30 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Business Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Credit Risk and Collateral Valuation Department and an opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of internal bank's services. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed through the use of scoring models and application data verification procedures developed by the Retail Business Department together with the Risk Management Department.

Apart from individual customer analysis by the Credit Risk and Collateral Valuation Department, the credit portfolio is assessed also by the Risk Management Department with regard to credit concentration and market risks.

Loan approvals and credit card limits can be cancelled at anytime.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the unconsolidated statement of financial position and unrecognised contractual commitments. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

30 Risk management, continued

(c) Credit risk, continued

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2014 KZT'000	2013 KZT'000
ASSETS		
Cash and cash equivalents	74,963,731	60,943,830
Financial instruments at fair value through profit or loss	4,025,156	-
Available-for-sale financial assets	5,899,449	10,965,674
Deposits and balances with banks	13,429,798	2,598,850
Loans to customers	582,292,908	426,513,718
Held-to-maturity investments	35,184,257	23,462,306
Other financial assets	20,780,471	10,415,136
Total maximum exposure	**736,575,770**	**534,899,514**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 15.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 32.

As at 31 December 2014 and 2013 the Bank did not have debtors or groups of connected debtors, where credit risk exposure exceeded 10 percent of the maximum credit risk exposure.

Offsetting financial assets and financial liabilities

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

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

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Bank conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement and that, the Bank meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Bank will process receivables and payables in a single settlement process or cycle.

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

- derivatives
- sale and repurchase, and reverse sale and repurchase agreements, and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

30 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2014:

KZT'000				Related amounts not offset in the unconsolidated statement of financial position		
Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities offset in the unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Available-for-sale financial assets	5,190,687	-	5,190,687	(4,853,006)	-	337,681
Held-to-maturity investments	2,674,557	-	2,674,557	(2,500,564)	-	173,993
Loans to customers	28,971,665	-	28,971,665	-	(4,540,745)	24,430,920
Total financial assets	**36,836,909**	**-**	**36,836,909**	**(7,353,570)**	**(4,540,745)**	**24,942,594**
Amounts payable under repurchase agreements	(7,353,570)	-	(7,353,570)	7,353,570	-	-
Current accounts and deposits from customers	(4,540,745)	-	(4,540,745)	-	4,540,745	-
Total financial liabilities	**(11,894,315)**	**-**	**(11,894,315)**	**7,353,570**	**4,540,745**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the unconsolidated statement of financial position that are disclosed in the above tables are measured in the unconsolidated statement of financial position on the following basis:

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The securities pledged under repurchase agreements (Note 13, 16) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the agreement.

30 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

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

KZT'000				Related amounts not offset in the unconsolidated statement of financial position		
Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities offset in the unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
Held-to-maturity investments	9,387,811	-	9,387,811	(8,803,285)	-	584,526
Loans to customers	26,231,188	-	26,231,188	-	(2,483,019)	23,748,169
Total financial assets	**35,618,999**	**-**	**35,618,999**	**(8,803,285)**	**(2,483,019)**	**24,332,695**
Amounts payable under repurchase agreements	(8,803,285)	-	(8,803,285)	8,803,285	-	-
Current accounts and deposits from customers	(2,483,019)	-	(2,483,019)	-	2,483,019	-
Total financial liabilities	**(11,286,304)**	**-**	**(11,286,304)**	**8,803,285**	**2,483,019**	**-**

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions 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 Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

30 Risk management, continued

(d) Liquidity risk, continued

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department together with the Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, deposits and balances with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored by the Assets and Liabilities Department and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the ALCO and implemented by the Assets and Liabilities Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	245,775	2,182,500	-	944,282	-	3,372,557	3,317,312
Amounts payable under repurchase agreements	7,408,893	-	-	-	-	7,408,893	7,353,570
Current accounts and deposits from customers	126,438,344	44,249,242	79,794,959	174,899,705	186,562,818	611,945,068	543,556,833
Debt securities issued	43,768	325,218	4,069,613	24,408,947	100,117,849	128,965,395	103,242,607
Subordinated debt securities issued	675	275,000	991,295	6,266,970	37,658,341	45,192,281	26,028,695
Other borrowed funds	1,055,268	1,093,331	1,552,350	5,907,637	38,775,437	48,384,023	37,862,573
Other financial liabilities	7,292,356	67,285	497	14,381	4,653,394	12,027,913	12,027,913
Total liabilities	**142,485,079**	**48,192,576**	**86,408,714**	**212,441,922**	**367,767,839**	**857,296,130**	**733,389,503**
Credit related commitments	47,642,170	-	-	-	-	47,642,170	47,642,170

30 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	7,067,478	3,296,339	-	2,442,639	-	12,806,456	12,608,055
Amounts payable under repurchase agreements	8,812,266	-	-	-	-	8,812,266	8,803,285
Current accounts and deposits from customers	69,652,393	20,295,636	54,284,135	166,429,318	119,969,886	430,631,368	401,781,105
Debt securities issued	126,486	285,330	1,298,073	3,946,089	37,890,508	43,546,486	32,910,768
Subordinated debt securities issued	-	620,000	917,500	11,537,500	43,865,000	56,940,000	35,669,288
Other borrowed funds	1,064,149	1,970,040	1,233,571	3,297,882	18,316,976	25,882,618	21,410,349
Other financial liabilities	5,735,783	250,061	6,106	-	3,904,724	9,896,674	9,896,674
Derivative liabilities							
- Inflow	(843,922)	-	-	-	-	(843,922)	-
- Outflow	846,200	-	-	-	-	846,200	2,278
Total liabilities	**92,460,833**	**26,717,406**	**57,739,385**	**187,653,428**	**223,947,094**	**588,518,146**	**523,081,802**
Credit related commitments	72,185,025	-	-	-	-	72,185,025	72,185,025

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customers accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

30 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2014:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	109,816,471	-	-	-	-	-	-	109,816,471
Available-for-sale financial assets	-	2,546,242	21,722	2,988,082	343,403	14,387	-	5,913,836
Deposits and balances with banks	6,007,384	2,265,426	5,156,528	-	460	-	-	13,429,798
Loans to customers	28,811,294	35,187,897	148,349,449	272,423,573	75,860,787	-	21,659,908	582,292,908
Held-to-maturity investments	5,570,411	11,995,323	4,040,148	10,920,025	2,658,350	-	-	35,184,257
Investment in subsidiary	-	-	-	-	-	5,607,853	-	5,607,853
Current tax asset	2,145,193	-	-	-	-	-	-	2,145,193
Property, equipment and intangible assets	-	-	-	-	-	22,558,807	-	22,558,807
Other assets	4,089,275	9,908,296	4,326,641	7,002	5,535,622	179,939	23,849	24,070,624
Total assets	**156,440,028**	**61,903,184**	**161,894,488**	**286,338,682**	**84,398,622**	**28,360,986**	**21,683,757**	**801,019,747**
Non-derivative liabilities								
Deposits and balances from banks	209,305	2,155,000	916,537	-	36,470	-	-	3,317,312
Amounts payable under repurchase agreements	7,353,570	-	-	-	-	-	-	7,353,570
Current accounts and deposits from customers	124,199,641	40,595,798	242,865,299	75,598,724	60,297,371	-	-	543,556,833
Debt securities issued	38,662	215,005	21,789,374	73,746,782	7,452,784	-	-	103,242,607
Subordinated debt securities issued	638	181,806	5,255,109	9,740,966	10,850,176	-	-	26,028,695
Other borrowed funds	1,255,846	527,674	5,585,430	17,847,328	12,646,295	-	-	37,862,573
Deferred tax liability	-	-	-	-	-	1,791,912	-	1,791,912
Other liabilities	7,657,915	626,846	675,343	15,154	4,653,394	-	-	13,628,652
Total liabilities	**140,715,577**	**44,302,129**	**277,087,092**	**176,948,954**	**95,936,490**	**1,791,912**	**-**	**736,782,154**
Net position	**15,724,451**	**17,601,055**	**(115,192,604)**	**109,389,728**	**(11,537,868)**	**26,569,074**	**21,683,757**	**64,237,593**

30 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2013:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	78,518,824	2,495,335	-	-	-	-	-	81,014,159
Available-for-sale financial assets	-	8,531,885	12,667	2,421,122	-	14,198	-	10,979,872
Deposits and balances with banks	1,593,745	-	1,004,645	-	460	-	-	2,598,850
Loans to customers	15,403,906	35,986,480	86,796,526	210,378,082	48,166,933	-	29,781,791	426,513,718
Held-to-maturity investments	4,993,240	7,026,043	3,443,184	7,999,839	-	-	-	23,462,306
Investment in subsidiary	-	-	-	-	-	5,607,853	-	5,607,853
Current tax asset	1,271,228	-	-	-	-	-	-	1,271,228
Property, equipment and intangible assets	-	-	-	-	-	19,465,126	-	19,465,126
Other assets	3,481,148	375,767	4,495,024	481,909	4,303,445	200,804	18,081	13,356,178
Total assets	**105,262,091**	**54,415,510**	**95,752,046**	**221,280,952**	**52,470,838**	**25,287,981**	**29,799,872**	**584,269,290**
Non-derivative liabilities								
Deposits and balances from banks	7,062,736	3,265,986	2,279,333	-	-	-	-	12,608,055
Amounts payable under repurchase agreements	8,803,285	-	-	-	-	-	-	8,803,285
Current accounts and deposits from customers	67,763,177	16,733,154	209,197,107	95,860,663	12,227,004	-	-	401,781,105
Debt securities issued	115,208	188,635	2,770,026	20,943,742	8,893,157	-	-	32,910,768
Subordinated debt securities issued	-	404,139	9,940,319	5,001,847	20,322,983	-	-	35,669,288
Other borrowed funds	903,352	1,688,940	3,608,126	10,025,888	5,184,043	-	-	21,410,349
Deferred tax liability	-	-	-	-	-	253,098	-	253,098
Other liabilities	7,128,332	250,073	772,051	9,012	3,904,739	-	-	12,064,207
Total liabilities	**91,776,090**	**22,530,927**	**228,566,962**	**131,841,152**	**50,531,926**	**253,098**	**-**	**525,500,155**
Net position	**13,486,001**	**31,884,583**	**(132,814,916)**	**89,439,800**	**1,938,912**	**25,034,883**	**29,799,872**	**58,769,135**

30 Risk management, continued

(d) Liquidity risk, continued

Management believes that the following factors address the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals
- The balance of customer accounts and deposits from related parties, which is due up to 1 year, is KZT 80,797,463 thousand as at 31 December 2014. Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Bank's liquidity management objectives
- Management manages liquidity risk using VaR methodology for the assessment of current accounts stability index. Results of the management's daily monitoring of stability of the current accounts balance indicate sufficiency of the Bank's current level of liquidity.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

31 Capital management

NBRK sets and monitors capital requirements for the Bank as a whole.

The Bank defines as capital the following items defined by statutory regulation as capital for banks:

- Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses. Starting from 1 February 2014 Tier 1 capital also includes the dynamic reserve.
- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of statutory net income for the current year, revaluation reserves, qualifying subordinated liabilities and, before 1 February 2014, dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

31 Capital management, continued

Various further limits and qualifying criteria are applied to the above elements of the capital base.

Under the current capital requirements set by the NBRK banks have to maintain:

- a ratio of tier 1 capital less investments to total assets less investments (k1.1)
- a ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets, contingent assets and liabilities, and a quantitative measure of operational risk (k1.2)
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets, contingent assets and liabilities, and a quantitative measure of operational risk (k2).

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital. For this purpose the investments are adjusted in the proportion of tier 1 capital to the total of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital).

As at 31 December 2014 and 2013 the minimum level of ratios as applicable to the Bank are as follows:

- k1.1 – 0.05
- k1.2 – 0.05
- k2 – 0.10.

31 Capital management, continued

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements established by the Rules # 358 dated 30 September 2005, as at 31 December 2014 and 2013:

	2014 KZT'000	2013 KZT'000
Tier 1 capital		
Share capital	30,110,207	30,110,207
Additional paid-in capital	2,025,632	2,025,632
Statutory retained earnings of prior years	10,231,524	3,763,507
Reserves formed from statutory retained earnings of prior years	8,234,923	8,234,923
Dynamic reserve subject to limitation of 1.25% of risk-weighed statutory assets	6,719,532	-
Intangible assets	(1,703,394)	(1,623,744)
Total tier 1 capital	**55,618,424**	**42,510,525**
Tier 2 capital		
Net statutory income for the year	11,015,075	7,954,333
Dynamic reserve subject to limitation of 1.25% of risk-weighed statutory assets	-	6,733,233
Revaluation reserve for available-for-sale financial assets	(74,143)	(51,653)
Unamortised portion of subordinated debt limited to 50% of tier 1 capital	21,578,886	21,255,263
Total tier 2 capital	**32,519,818**	**35,891,176**
Tier 3 capital	**-**	**21,212**
Total capital	**88,138,242**	**78,422,913**
Total statutory assets less not invested funds, obtained under custody agreements	**834,784,096**	**587,093,072**
Risk-weighted statutory assets, contingent liabilities, operational and market risk		
Credit risk weighted statutory assets	699,177,181	437,737,884
Credit risk weighted statutory contingent liabilities	30,395,990	37,759,839
Credit risk weighted statutory derivative financial instruments	-	11,566
Operational risk	22,498,003	18,520,841
Total statutory risk weighted assets, contingent liabilities, operational and market risk	**752,071,174**	**494,030,130**
k1.1 ratio	**0.067**	**0.072**
k1.2 ratio	**0.074**	**0.086**
k2 ratio	**0.117**	**0.159**

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

32 Credit related commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

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

	2014 KZT'000	**2013 KZT'000**
Contracted amount		
Loan and credit line commitments	23,132,825	47,006,501
Guarantees	21,491,747	19,233,613
Letters of credit	3,017,598	5,944,911
	47,642,170	**72,185,025**

Management expects that loan and credit line commitments, to the extent demanded, will be funded from amounts collected from scheduled repayments of current loan portfolio.

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2014 the Bank has 1 customer whose balance exceeds 10% of total commitments (2013: 1 customers). The value of these commitments as at 31 December 2014 is KZT 8,752,800 thousand (2013: KZT 7,394,880 thousand).

33 Operating lease

Leases as lessee

Non-cancellable operating lease rentals as at 31 December are payable as follows:

	2014 KZT'000	**2013 KZT'000**
Less than 1 year	276,106	357,259
Between 1 and 5 years	1,324,653	972,618
	1,600,759	**1,329,877**

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to then renew the lease. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year KZT 1,600,695 thousand was recognised as an expense in profit or loss in respect of operating leases (2013: KZT 1,336,379 thousand).

34 Contingencies

(a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities that have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

35 Related party transactions

(a) Control relationships

The Bank's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent company is controlled by the group of individuals, Mr. Mashkevich A.A., Mr. Shodiyev P.K., Mr. Ibragimov A.R., each of whom owns 33.3%. Publicly available financial statements are produced by the Bank's Parent company.

(b) Transactions with members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2014 KZT'000	2013 KZT'000
Members of the Board of Directors	1,091,509	562,619
Members of the Management Board	502,692	372,505
Other key management personnel	1,635,777	1,157,130
	3,229,978	**2,092,254**

These amounts include non-cash benefits in respect of members of the Board of Directors, the Management Board and other key management personnel.

35 Related party transactions, continued

(b) Transactions with the members of the Board of Directors, the Management Board and other key management personnel, continued

The outstanding balances and average effective interest rates as at 31 December 2014 and 2013 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2014 KZT'000	Average effective interest rate, %	2013 KZT'000	Average effective interest rate, %
Unconsolidated statement of financial position				
ASSETS				
Loans to customers	328,483	6.00	-	-
LIABILITIES				
Current accounts and deposits from customers	7,178,721	7.20	7,286,721	7.80

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2014 KZT'000	2013 KZT'000
Profit or loss		
Interest income	12,203	109,083
Interest expense	(658,743)	(628,906)

35 Related party transactions, continued

(c) Transactions with other related parties

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

	Parent company		Other subsidiaries of the Parent company		Subsidiary of the Bank		Other related parties*		
	KZT'000	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- In KZT	-	-	-	-	35,988	-	-	-	35,988
- In USD	-	-	-	-	10,442	-	-	-	10,442
- In other currencies	-	-	-	-	141	-	-	-	141
Investment in subsidiary									
- In KZT	-	-	-	-	5,607,853	-	-	-	5,607,853
Loans to customers (principal balance)									
- In KZT	-	-	-	-	-	-	4,161,605	11.82	4,161,605
- In USD	-	-	-	-	-	-	33,774,250	6.84	33,774,250
- In other currencies	-	-	-	-	-	-	363,154	10.00	363,154
Loans to customers (allowance for impairment)							(126,210)		(126,210)
Other assets	-	-	-	-	-	-	-	-	-
- In KZT	-	-	1,190,659	-	-	-	248	-	1,190,907

*Other related parties are the entities that are controlled by the Parent company's shareholders

35 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2014	**Parent company**		**Other subsidiaries of the Parent company**		**Subsidiary of the Bank**		**Other related parties***		
	KZT'000	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**Total KZT'000**
LIABILITIES									
Deposits and balances from banks									
- In KZT	-	-	-	-	3,676	-	-	-	3,676
- In USD	-	-	-	-	155	-	-	-	155
- In other currencies	-	-	-	-	1	-	-	-	1
Deposits and balances from customers									
- In KZT	16,692	4.13	3,876,711	6.98	-	-	13,449,572	4.98	17,342,975
- In USD	2,188,686	2.00	88,818	1.66	-	-	68,549,106	2.02	70,826,610
- In other currencies	-	-	269,331	0.83	-	-	2,618,806	1.21	2,888,137
Debt securities issued									
- In KZT	34,231	6.58	703,736	12.76	-	-	-	-	737,967
Subordinated debt securities issued									
- In KZT	-	-	39,827	9.23	-	-	-	-	39,827
Other liabilities									
- In KZT	-	-	241,397	-	-	-	4,888	-	246,285
- In USD	-	-	-	-	-	-	13,964	-	13,964
Items not recognised in the unconsolidated statement of financial position									
Loans and credit line commitments	-		-		-		444,074		444,074
Guarantees received	-		-		-		2,751,144		2,751,144
Letters of credit	-		-		-		2,404,096		2,404,096
Profit (loss)									
Interest income	-		-		-		1,628,932		1,628,932
Interest expense	(8,750)		(226,048)		-		(1,996,459)		(2,231,257)
Fee and commission income	719		41,356		29		459,008		501,112
Other operating (expenses) income	(246,132)		97,476		-		(134,999)		(283,655)
Impairment losses	-		-		-		(52,266)		(52,266)
Other general administrative expenses	-		(1,392,407)		-		(34,391)		(1,426,798)

*Other related parties are the entities that are controlled by the Parent company's shareholders.

35 Related party transactions, continued

(c) Transactions with other related parties, continued

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

	Parent company		Other subsidiaries of the Parent company		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- In USD	-	-	-	-	146	-	-	-	146
- In other currencies	-	-	-	-	114	-	-	-	114
Investments in subsidiary									
- In KZT	-	-	-	-	5,607,853	-	-	-	5,607,853
Loans to customers (principal balance)									
- In KZT	-	-	-	-	-	-	4,353,179	13.05	4,353,179
- In USD	-	-	-	-	-	-	17,518,219	6.06	17,518,219
- In other currencies	-	-	-	-	-	-	128,271	10.65	128,271
Loans to customers (allowance for impairment)	-	-	-	-	-	-	(143,894)	-	(143,894)
Other assets:									
- In KZT	-	-	37,212	-	-	-	366	-	37,578

*Other related parties are the entities that are controlled by the Parent company's shareholders.

35 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2013	**Parent company**		**Other subsidiaries of the Parent company**		**Subsidiary of the Bank**		**Other related parties***		
	KZT'000	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**Total KZT'000**
LIABILITIES									
Deposits and balances from banks									
- In KZT	-	-	-	-	1,202	-	-	-	1,202
- In USD	-	-	-	-	134	-	-	-	134
- In other currencies	-	-	-	-	1	-	-	-	1
Deposits and balances from customers									
- In KZT	1,655	-	3,098,834	2.93	-	-	17,071,717	1.27	20,172,206
- In USD	1,239,879	0.99	110,276	2.10	-	-	16,259,576	1.31	17,609,731
- In other currencies	-	-	229,520	0.37	-	-	3,469,034	0.54	3,698,554
Debt securities issued									
- In KZT	-	-	729,149	12.48	130, 678	6.90	-	-	859,827
Subordinated debt securities issued									
- In KZT	-	-	51,600	7.39	-	-	-	-	51,600
Other liabilities									
- In KZT	-	-	152,631	-	-	-	808	-	153,439
Items not recognised in the unconsolidated statement of financial position									
Loans and credit line commitments	-		-		-		89,458		89,458
Guarantees issued	-		-		-		10,478		10,478
Guarantees received	-		-		-		406,442		406,442
Letters of credit	-		-		-		5,012,538		5,012,538
Profit (loss)									
Interest income	-		-		-		341,988		341,988
Interest expense	(6,605)		(406,618)		(9,628)		(1,105,280)		(1,528,131)
Fee and commission income	249		19,615		88		487,521		507,473
Other operating (expenses) income	(18,577)		(149,085)		-		2,692		(164,970)
Reversal of impairment losses	-		-		-		137,369		137,369
Other general administrative expenses	-		(1,100,173)		-		(233,660)		(1,333,833)

35 Related party transactions, continued

(c) Transactions with other related parties, continued

*Other related parties are the entities that are controlled by the Parent company's shareholders.

As at 31 December 2014 loans to customers of KZT 41,753,759 thousand were insured by an insurance company under common control (31 December 2013: KZT 33,464,209 thousand).

36 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	109,816,471	-	-	109,816,471	109,816,471
Financial instruments at fair value through profit or loss	4,025,156	-	-	-	-	4,025,156	4,025,156
Available-for-sale financial assets	-	-	-	5,913,836	-	5,913,836	5,913,836
Deposits and balances with banks	-	-	13,429,798	-	-	13,429,798	13,429,798
Loans to customers							
Loans to corporate customers	-	-	291,265,323	-	-	291,265,323	283,923,196
Loans to retail customers	-	-	291,027,585	-	-	291,027,585	283,792,284
Held-to-maturity investments							
Government bonds	-	32,447,760	-	-	-	32,447,760	32,427,946
Corporate bonds	-	2,736,497	-	-	-	2,736,497	2,510,777
Other financial assets	-	-	20,780,471	-	-	20,780,471	20,780,471
	4,025,156	**35,184,257**	**726,319,648**	**5,913,836**	**-**	**771,442,897**	**756,619,935**
Deposits and balances from banks	-	-	-	-	3,317,312	3,317,312	3,317,312
Amounts payable under repurchase agreements	-	-	-	-	7,353,570	7,353,570	7,353,570
Current accounts and deposits from customers	-	-	-	-	543,556,833	543,556,833	544,328,858
Debt securities issued	-	-	-	-	103,242,607	103,242,607	102,402,013
Subordinated debt securities issued	-	-	-	-	26,028,695	26,028,695	24,431,940
Other borrowed funds	-	-	-	-	37,862,573	37,862,573	37,862,573
Other financial liabilities	-	-	-	-	12,027,913	12,027,913	12,027,913
	-	**-**	**-**	**-**	**733,389,503**	**733,389,503**	**731,724,179**

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

(a) Accounting classifications and fair values, continued

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

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	81,014,159	-	-	81,014,159	81,014,159
Available-for-sale financial assets	-	-	-	10,979,872	-	10,979,872	10,979,872
Deposits and balances with banks	-	-	2,598,850	-	-	2,598,850	2,598,850
Loans to customers							
Loans to corporate customers	-	-	209,891,257	-	-	209,891,257	216,669,192
Loans to retail customers	-	-	216,622,461	-	-	216,622,461	214,117,216
Held-to-maturity investments							
Government bonds	-	23,462,306	-	-	-	23,462,306	23,462,306
Other financial assets	-	-	10,415,136	-	-	10,415,136	10,415,136
	-	**23,462,306**	**520,541,863**	**10,979,872**	**-**	**554,984,041**	**559,256,731**
Financial instruments at fair value through profit or loss	2,278	-	-	-	-	2,278	2,278
Deposits and balances from banks	-	-	-	-	12,608,055	12,608,055	12,608,055
Amounts payable under repurchase agreements	-	-	-	-	8,803,285	8,803,285	8,803,285
Current accounts and deposits from customers	-	-	-	-	401,781,105	401,781,105	403,964,992
Debt securities issued	-	-	-	-	32,910,768	32,910,768	30,059,703
Subordinated debt securities issued	-	-	-	-	35,669,288	35,669,288	35,439,121
Other borrowed funds	-	-	-	-	21,410,349	21,410,349	21,410,349
Other financial liabilities	-	-	-	-	9,896,674	9,896,674	9,896,674
	2,278	**-**	**-**	**-**	**523,079,524**	**523,081,802**	**522,184,457**

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

(a) Accounting classifications and fair values, continued

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

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

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

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Bank uses widely recognised valuation models to determine the fair value of common and simpler financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps.

For more complex instruments, the Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

As disclosed in Note 13, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 14,387 thousand (2013: KZT 14,198 thousand) cannot be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 6.7 – 22.3% and 1.9 – 27.2% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 0.1 – 13.6% and 0.1 – 9.3% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively
- quoted market prices are used for determination of fair value of debt securities issued.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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

(b) Fair value hierarchy

The Bank measures fair values for financial instruments recorded on the unconsolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss			
- Derivative assets	-	4,025,156	4,025,156
Available-for-sale financial assets			
- Debt instruments	5,899,449	-	5,899,449
	5,899,449	**4,025,156**	**9,924,605**

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	**Level 2**	**Total**
Financial instruments at fair value through profit or loss		
- Derivative liabilities	(2,278)	(2,278)
Available-for-sale financial assets		
- Debt instruments	10,965,674	10,965,674
	10,963,396	**10,963,396**

Due to low market liquidity, management consider that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2014 and 2013 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs, except for swaps with the NBRK.

Unobservable valuation differences on initial recognition

The transaction price of the swap transactions with the NBRK is different from fair value of the swap instruments in the principal markets (Note 12). At initial recognition, the Bank estimates the fair values of the swaps transacted with the NBRK using valuation techniques.

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

(b) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition, continued

In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Bank uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see note 3(d)(v)).

The following table shows a reconciliation for the year ended 31 December 2014 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Financial instruments at fair value through profit or loss	Total
KZT'000	**Derivative assets**	
Balance at beginning of the year	-	-
Net loss on financial instruments at fair value through profit or loss	(608,869)	(608,869)
Prepayment of interest	4,634,025	4,634,025
Balance at end of the year	**4,025,156**	**4,025,156**

To determine the fair value of the swaps, management assumed interest rates in KZT of 4.03% and of 0.44% in USD. Management assumes that the early termination right will not be exercised by NBRK until maturity.

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

As at 31 December 2014 if the interest rate applied to KZT cash flows increased by 1%, the fair value of the currency swaps with the NBRK in Level 3 of the hierarchy would increase by KZT 472,939 thousand.

As at 31 December 2014 if the right of early termination to be exercised in 3 months earlier, the effect on profit or loss will be a decrease in the fair value of KZT 552,644 thousand.

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

(b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2014:

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	109,816,471	-	109,816,471	109,816,471
Deposits and balances with banks	13,429,798	-	13,429,798	13,429,798
Loans to customers	539,882,294	27,833,186	567,715,480	582,292,908
Held-to-maturity investments	34,938,723	-	34,938,723	35,184,257
Liabilities				
Deposits and balances from banks	3,317,312	-	3,317,312	3,317,312
Amounts payable under repurchase agreements	7,353,570	-	7,353,570	7,353,570
Current accounts and deposits from customers	544,328,858	-	544,328,858	543,556,833
Debt securities issued	102,402,013	-	102,402,013	103,242,607
Subordinated debt securities issued	24,431,940	-	24,431,940	26,028,695
Other borrowed funds	37,862,573	-	37,862,573	37,862,573
Other financial liabilities	12,027,913		12,027,913	12,027,913

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

KZT’000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	81,014,159	-	81,014,159	81,014,159
Deposits and balances with banks	2,598,850	-	2,598,850	2,598,850
Loans to customers	405,461,460	25,324,948	430,786,408	426,513,718
Held-to-maturity investments	23,462,306	-	23,462,306	23,462,306
Liabilities				
Deposits and balances from banks	12,608,055	-	12,608,055	12,608,055
Amounts payable under repurchase agreements	8,803,285	-	8,803,285	8,803,285
Current accounts and deposits from customers	403,964,992	-	403,964,992	401,781,105
Debt securities issued	30,059,703	-	30,059,703	32,910,768
Subordinated debt securities issued	35,439,121	-	35,439,121	35,669,288
Other borrowed funds	21,410,349	-	21,410,349	21,410,349
Other financial liabilities	9,896,674		9,896,674	9,896,674