Industrial and Commercial Bank of China Almaty JSC

Financial Statements

for the year ended 31 December 2014

Contents

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Independent Auditors' Report

To the Shareholder and the Board of Directors of Industrial and Commercial Bank of China Almaty JSC

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Yelena Kim
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. MF-0000042 of 8 August 2011

KPMG Audit LLC

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

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

4 March 2015

	Note	2014 KZT'000	2013 KZT'000
Interest income			
Cash and cash equivalents		502,678	330,444
Loans to customers		321,547	214,828
Held-to-maturity investments		100,772	169,285
		924,997	**714,557**
Interest expense			
Current accounts and deposits from customers		(47,846)	(39,957)
Due to banks		(17,414)	(14,546)
		(65,260)	**(54,503)**
Net interest income		**859,737**	**660,054**
Net fee and commission income	4	394,393	174,711
Net gains from foreign currencies:			
- dealing		178,331	93,134
- translation differences		(3,000)	316
Other operating income		690	13,815
Non-interest income		**570,414**	**281,976**
Personnel expenses	5	(253,434)	(199,806)
Other operating expenses	6	(89,311)	(86,153)
Depreciation and amortisation		(32,258)	(28,950)
Taxes other than income tax		(15,090)	(10,896)
Non-interest expense		**(390,093)**	**(325,805)**
Profit before income tax		**1,040,058**	**616,225**
Income tax expense	7	(186,312)	(100,540)
Profit and total comprehensive income for the year		**853,746**	**515,685**

The financial statements as set out on pages 5 to 44 were approved by Management on 4 March 2015 and were signed on its behalf by:

Wei Xiaogang
Chairman of the Board

Tatyana Maurer
Chief Accountant

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

	Note	2014 KZT'000	2013 KZT'000
ASSETS			
Cash and cash equivalents	8	30,661,439	40,067,003
Loans to customers	9	10,465,968	5,659,412
Held-to-maturity investments	10	2,415,906	3,020,685
Property, equipment and intangible assets	11	681,764	707,714
Deferred tax asset	7	-	286
Other assets		74,283	11,376
Total assets		**44,299,360**	**49,466,476**
LIABILITIES			
Due to banks	12	9,341,775	14,755,425
Current accounts and deposits from customers	13	22,199,789	22,836,361
Current tax liability		6,615	903
Other liabilities		29,152	5,504
Total liabilities		**31,577,331**	**37,598,193**
EQUITY			
Share capital	14	8,933,491	8,933,491
Statutory reserve		1,705,995	1,705,995
Retained earnings		2,082,543	1,228,797
Total equity		**12,722,029**	**11,868,283**
Total liabilities and equity		**44,299,360**	**49,466,476**

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

	2014 KZT'000	2013 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	921,005	797,988
Interest payments	(63,568)	(60,430)
Fee and commission receipts	411,117	185,903
Fee and commission payments	(59,920)	(11,317)
Net gains from foreign currencies	178,331	93,134
Personnel expenses paid	(255,819)	(199,251)
Other operating expenses paid	(93,290)	(94,435)
Other income receipts	690	13,815
(Increase)/decrease in operating assets		
Loans to customers	(3,714,921)	1,567,638
Other assets	(2,416)	2,062
(Decrease)/increase in operating liabilities		
Due to banks	(7,469,740)	14,708,630
Current accounts and deposits from customers	(1,141,342)	4,626,011
Other liabilities	(2,373)	(1,436)
Net cash (used in)/provided from operating activities before income tax paid	**(11,292,246)**	**21,628,312**
Income tax paid	(180,314)	(103,769)
Cash flows (used in)/from operations	**(11,472,560)**	**21,524,543**
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of held-to-maturity investments	590,625	1,724,858
Purchases of property and equipment and intangible assets	(6,308)	(75,931)
Sales of property and equipment and intangible assets	-	2,768
Cash flows from investing activities	**584,317**	**1,651,695**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	-	(4,228,099)
Cash flows used in financing activities	**-**	**(4,228,099)**
Net (decrease)/ increase in cash and cash equivalents	**(10,888,243)**	**18,948,139**
Effect of changes in exchange rates on cash and cash equivalents	1,482,679	94,222
Cash and cash equivalents as at the beginning of the year	40,067,003	21,024,642
Cash and cash equivalents as at the end of the year (Note 8)	**30,661,439**	**40,067,003**

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

KZT'000	Share capital	Statutory reserve	Retained earnings	Total equity
Balance as at 1 January 2013	8,933,491	1,653,592	765,515	11,352,598
Total comprehensive income				
Profit and total comprehensive income for the year	-	-	515,685	515,685
Total comprehensive income for the year	**-**	**-**	**515,685**	**515,685**
Transfers to statutory reserve	-	52,403	(52,403)	-
Balance as at 31 December 2013	**8,933,491**	**1,705,995**	**1,228,797**	**11,868,283**
Balance as at 1 January 2014	8,933,491	1,705,995	1,228,797	11,868,283
Total comprehensive income				
Profit and total comprehensive income for the year	-	-	853,746	853,746
Total comprehensive income for the year	**-**	**-**	**853,746**	**853,746**
Balance as at 31 December 2014	**8,933,491**	**1,705,995**	**2,082,543**	**12,722,029**

As at 31 December 2014, included in statutory reserve is a dynamic reserve in the amount of KZT 52,403 thousand which is non-distributable (31 December 2013: KZT 52,403 thousand).

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

1 Background

(a) Organisation and operations

Industrial and Commercial Bank of China Almaty JSC (the “Bank”) was established in the Republic of Kazakhstan on 3 March 1993. The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and transactions with securities and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”). The Bank operates under a general banking license #174 issued on 9 March 2006.

The Bank’s registered office is 150/230 Abai Avenue, #846, block 7, Turgut Ozal Street, Almaty, 050046, Republic of Kazakhstan.

The Bank does not have any branches and subsidiaries. The majority of the assets and liabilities are located in the Republic of Kazakhstan.

The Bank is wholly-owned by Industrial and Commercial Bank of China JSC (the “Parent”), which is incorporated and operates in the People’s Republic of China. The ultimate shareholder is the People’s Republic of China. Related party transactions are detailed in Note 19.

(b) Kazakhstan business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

2 Basis of preparation, continued

(d) Use of estimates and judgments, continued

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:

- income tax expense - note 7;
- estimates of fair values of financial instruments – note 20.

(e) Changes in accounting policies and presentation

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

The Bank does not expect that these amendments will have an impact on its financial statements as the Bank does not present financial assets and financial liabilities on net basis in the statement of financial position.

3 Significant accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank 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.

3 Significant accounting policies, continued

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial instruments

(i) Classification

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

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

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

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

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

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold 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.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

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

- the Bank upon initial recognition designates as at fair value through profit or loss,

- the Bank designates as available-for-sale or,

- meet the definition of loans and receivables.

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

(ii) Recognition

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

(iii) Measurement

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

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

- loans and receivables which are measured at amortised cost using the effective interest 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.

3 Significant accounting policies, continued

(c) 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 pricing transaction.

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

(vi) Gains and losses on subsequent measurement

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

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

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

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

(vii) Derecognition

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(vii) Derecognition, continued

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

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

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

The Bank writes off assets deemed to be uncollectible.

(viii) Offsetting

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

(d) Property and equipment

(i) Owned assets

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

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 50 years;
- computer equipment 4 years;
- motor vehicles 5 years;
- other 9 years.

(e) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 5 to 10 years.

3 Significant accounting policies, continued

(f) Impairment

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

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

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

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

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

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

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.

3 Significant accounting policies, continued

(f) Impairment, continued

(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.

(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

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

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Provisions

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

3 Significant accounting policies, continued

(h) 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 commitment are included in other liabilities.

(i) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(j) Taxation

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies, continued

(k) 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.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

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.

(l) New standards and interpretations not yet adopted

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

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Bank recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Bank has not analysed the impact of these changes yet. The Bank does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net fee and commission income

	2014 KZT'000	2013 KZT'000
Fee and commission income		
Agency fee	261,235	-
Transfer operations	148,971	149,282
Cash operations	36,620	28,119
Guarantee and letter of credit issuance	16,681	5,933
Other	2,051	3,453
	465,558	**186,787**
Fee and commission expense		
Guarantee	(62,442)	-
Custodian services	(5,372)	(9,282)
Transfer operations	(2,801)	(2,374)
Other	(550)	(420)
	(71,165)	**(12,076)**
	394,393	**174,711**

Fee income for agency services relate to commissions earned by the Bank for acting as an agent for syndicated loan issued to the resident of the Republic of Kazakhstan jointly with the Industrial and Commercial Bank of China Seoul branch. The Bank provides services of administration of this loan. The Bank does not bear any credit risk related to part of the loan issued by Industrial and Commercial Bank of China Seoul branch. Accordingly, that part of the loan is not recognised in the Bank's financial statements.

5 Personnel expenses

	2014 KZT'000	2013 KZT'000
Employee compensation	212,054	169,799
Payroll related taxes	41,380	30,007
	253,434	**199,806**

6 Other operating expenses

	2014 KZT'000	2013 KZT'000
Deposit insurance	11,617	2,816
Security	10,850	10,595
Communications and information services	8,131	8,240
Utilities	7,858	8,396
Professional services	7,197	9,576
Business trip expenses	6,708	9,403
Representative expenses	4,753	4,950
Office supplies	4,512	6,473
Cash collection expenses	4,242	4,401
Information technology services	3,659	3,633
Insurance	3,270	1,791
Transportation expenses	2,447	2,330
Fines and penalties	2,226	1,881
Translation and notary services	1,522	1,054
Training expenses	1,115	597
Video monitoring expenses	1,038	1,200
Repairs and maintenance	957	1,298
Membership fees	842	579
Other	6,367	6,940
	89,311	**86,153**

7 Income tax expense

	2014 KZT'000	2013 KZT'000
Current year tax expense	190,924	100,261
Current tax expense over provided in prior years	(4,898)	-
Total current tax expense	**186,026**	**100,261**
Deferred taxation movement due to origination and reversal of temporary differences	286	279
Total income tax expense	**186,312**	**100,540**

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	**1,040,058**	**100.0**	**616,225**	**100.0**
Income tax at the applicable tax rate	208,012	20.0	123,245	20.0
Non-taxable income on government securities	(20,154)	(1.9)	(33,857)	(5.5)
Non-deductible costs	3,352	0.3	11,152	1.8
Over provided in prior years	(4,898)	(0.5)	-	-
	186,312	**17.9**	**100,540**	**16.3**

7 Income tax expense, continued

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 net deferred tax assets as at 31 December 2013. These deferred tax assets are recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

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

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

KZT'000	Balance 1 January 2014	Recognised in profit or loss	Balance 31 December 2014
Property, equipment and intangible assets	286	(286)	-
	286	**(286)**	**-**

KZT'000	Balance 1 January 2013	Recognised in profit or loss	Balance 31 December 2013
Property, equipment and intangible assets	565	(279)	286
	565	**(279)**	**286**

8 Cash and cash equivalents

	2014 KZT'000	2013 KZT'000
Cash on hand	**211,162**	**93,104**
Nostro accounts with the NBRK	**23,963,293**	**12,134,421**
Nostro accounts with other banks		
rated from A- to A+	477,012	12,018,416
rated BBB	8,532	6,045
rated below B+	-	19,571
Total nostro accounts with other banks	**485,544**	**12,044,032**
Cash equivalents		
Term deposits with the NBRK	**6,001,440**	**1,500,250**
Term deposits with other banks		
rated from A- to A+	-	8,210,967
rated from BB- to BB+	-	1,502,500
rated below B+	-	4,581,729
Total term deposits with other banks	**-**	**14,295,196**
Total cash equivalents	**6,001,440**	**15,795,446**
Total cash and cash equivalents	**30,661,439**	**40,067,003**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

No cash and cash equivalents are impaired or past due.

As at 31 December 2014 the Bank has one bank (2013: six banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2014 is KZT 29,964,733 thousand (2013: KZT 24,135,885 thousand).

8 Cash and cash equivalents, continued

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the two week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other bank liabilities. As at 31 December 2014, the minimum reserve is KZT 566,235 thousand (31 December 2013: KZT 601,977 thousand).

9 Loans to customers

	2014 KZT'000	2013 KZT'000
Loans to corporate customers	10,453,558	5,654,426
Loans to retail customers	12,410	4,986
	10,465,968	**5,659,412**

As at 31 December 2014 all loans to customers are neither past due nor impaired. No collective provision was recognised in respect of loans to customers as all possible risks have been considered in individual impairment test and the Bank does not have history of losses on loans issued to customers. Accordingly, no impairment is provided.

Change in estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by minus one percent, the impairment allowance on loans to customers a at 31 December 2014 would be KZT 104,660 thousand higher (31 December 2013: KZT 56,594 thousand).

(a) Analysis of collateral

(i) Loans to corporate customers

As at 31 December 2014 loans to customers for the amount of KZT 4,227,762 thousand were collateralised by the guarantee, provided by the Parent Bank (31 December 2013: nil), loans to customers for the amount of KZT 4,751,503 thousand were collateralised by the guarantee, provided by related subsidiaries of the Parent Bank (31 December 2013: nil) and no loans to customers were uncollateralised (31 December 2013: KZT 1,152,330 thousand).

(ii) Loans to retail customers

Loans issued to retail customers are not secured.

(b) Industry and geographical analysis of the loan portfolio

Industry analysis of the loan portfolio

Loans to customers were issued to customers who operate in the following economic sectors:

	2014 KZT'000	2013 KZT'000
Oil and gas	5,701,789	2,314,521
Mining	2,918,094	2,778,971
Communications	1,833,409	-
Trade	266	560,934
Loans issued to individuals	12,410	4,986
	10,465,968	**5,659,412**

9 Loans to customers, continued

(b) Industry and geographical analysis of the loan portfolio, continued

Geographical analysis of the loan portfolio

The geographical concentration of the loans to customers are the following:

	2014 KZT'000	2013 KZT'000
Kazakhstan	7,547,608	2,319,507
Other countries	2,918,360	3,339,905
	10,465,968	**5,659,412**

(c) Significant credit exposures

As at 31 December 2014 the Bank has four borrowers (2013: one borrower), whose loan balance exceeds 10% of equity. The gross value of these loans as at 31 December 2014 is KZT 9,194,742 thousand (2013: KZT 2,778,971 thousand).

(d) Loan maturities

The maturity of the loan portfolio is presented in note 15 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

10 Held-to-maturity investments

The entire amount of held-to-maturity investments are represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB+.

No held-to-maturity investments are impaired or past due.

11 Property, equipment and intangible assets

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Other	Intangible assets	Total
Cost						
Balance at 1 January 2014	725,090	36,513	33,556	63,230	19,711	878,100
Additions	984	2,963	-	1,036	1,325	6,308
Balance at 31 December 2014	**726,074**	**39,476**	**33,556**	**64,266**	**21,036**	**884,408**
Depreciation and amortisation						
Balance at 1 January 2014	(86,491)	(29,900)	(14,281)	(24,582)	(15,132)	(170,386)
Depreciation and amortisation for the year	(16,190)	(3,502)	(4,283)	(6,623)	(1,660)	(32,258)
Balance at 31 December 2014	**(102,681)**	**(33,402)**	**(18,564)**	**(31,205)**	**(16,792)**	**(202,644)**
Carrying amount						
At 31 December 2014	**623,393**	**6,074**	**14,992**	**33,061**	**4,244**	**681,764**
Cost						
Balance at 1 January 2013	688,481	32,860	23,716	55,455	16,045	816,557
Additions	36,609	3,653	21,416	7,820	3,666	73,164
Disposals	-	-	(11,576)	(45)	-	(11,621)
Balance at 31 December 2013	**725,090**	**36,513**	**33,556**	**63,230**	**19,711**	**878,100**
Depreciation and amortisation						
Balance at 1 January 2013	(71,031)	(26,578)	(23,716)	(18,016)	(13,716)	(153,057)
Depreciation and amortisation for the year	(15,460)	(3,322)	(2,141)	(6,611)	(1,416)	(28,950)
Disposals	-	-	11,576	45	-	11,621
Balance at 31 December 2013	**(86,491)**	**(29,900)**	**(14,281)**	**(24,582)**	**(15,132)**	**(170,386)**
Carrying amount						
At 31 December 2013	**638,599**	**6,613**	**19,275**	**38,648**	**4,579**	**707,714**

12 Due to banks

	2014 KZT'000	2013 KZT'000
Vostro accounts of the banks of the Republic of Kazakhstan	9,150,851	14,665,350
Vostro accounts of the Parent Bank	173,928	90,075
Vostro accounts of the foreign banks	16,996	-
	9,341,775	**14,755,425**

As at 31 December 2014 the Bank has one bank (2013: three banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2014 is KZT 9,117,423 thousand (2013: KZT 14,636,229 thousand).

13 Current accounts and deposits from customers

	2014 KZT'000	2013 KZT'000
Current accounts and demand deposits		
- Corporate	20,736,316	19,849,086
- Retail	1,183,528	664,346
- Government entities	118,204	216,162
Term deposits		
- Corporate	78,355	2,062,342
- Retail	83,386	44,425
	22,199,789	**22,836,361**

As at 31 December 2014, the Bank maintained customer deposit balances of KZT 9,071 thousand (2013: KZT 24,983 thousand) that serve as collateral for unrecognised credit instruments granted by the Bank.

As at 31 December 2014 the Bank has four customers (2013: five customers), whose balances exceed 10% of equity. These balances as at 31 December 2014 are KZT 17,151,120 thousand (2013: KZT 18,866,957 thousand).

14 Share capital and reserves

(a) Issued capital

The authorised, issued and outstanding share capital comprises 14,238 ordinary shares (2013: 14,238 ordinary shares). All shares are denominated in KZT and have a placement value of KZT 627,440 each.

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.

14 Share capital and reserves, continued

(b) Nature and purpose of reserves

Until 2013, in accordance with Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the Committee on 28 August 2009, 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 the 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 25 December 2006) during the preceding year. Such percentage increase had to be not less than 10% and not more than 100%.

The Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks and the Resolution #296 On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities ceased to be in force during 2013.

As at 31 December 2014 the Bank has not allocated funds from retained earnings to make a statutory reserve (31 December 2013: nil).

As at 31 December 2014 the Bank's statutory reserve capital was not dissolved.

Dynamic reserve

In accordance with Resolution of the National Bank of the Republic of Kazakhstan #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 Resolution and the value should not be less than zero. The Resolution has been effective from 1 January 2013.

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

The non-distributable dynamic reserve requirement of the Bank as at 31 December 2014 was KZT 52,403 thousand (2013: KZT 52,403 thousand).

(c) 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.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. No dividends were declared for 2014 and 2013.

15 Risk management

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

(a) Risk management policies and procedures

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

15 Risk management, continued

(a) Risk management policies and procedures, continued

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Risk Management and Law Compliance Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

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

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

(b) Market risk

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

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

Overall authority for market risk is vested in the ALCO.

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

(i) Interest rate risk

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

15 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial 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	6,001,440	-	-	-	-	24,659,999	30,661,439
Loans to customers	7,153,683	334	-	3,311,951	-	-	10,465,968
Held-to-maturity investments	29,152	10,019	11,772	1,587,186	777,777	-	2,415,906
Other financial assets	-	-	-	-	-	55,198	55,198
	13,184,275	**10,353**	**11,772**	**4,899,137**	**777,777**	**24,715,197**	**43,598,511**
LIABILITIES							
Due to banks	9,117,423	-	-	-	-	224,352	9,341,775
Current accounts and deposits from customers	9,634,276	28,959	3,174	-	-	12,533,380	22,199,789
Other financial liabilities	-	-	-	-	-	14,613	14,613
	18,751,699	**28,959**	**3,174**	**-**	**-**	**12,772,345**	**31,556,177**
	(5,567,424)	**(18,606)**	**8,598**	**4,899,137**	**777,777**	**11,942,852**	**12,042,334**

15 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	16,942,106	-	-	-	-	23,124,897	40,067,003
Loans to customers	5,093,942	-	1,256	564,214	-	-	5,659,412
Held-to-maturity investments	634,016	11,623	10,083	1,587,186	777,777	-	3,020,685
Other financial assets	-	-	-	-	-	20	20
	22,670,064	**11,623**	**11,339**	**2,151,400**	**777,777**	**23,124,917**	**48,747,120**
LIABILITIES							
Due to banks	14,636,230	-	-	-	-	119,195	14,755,425
Current accounts and deposits from customers	15,403,537	18,593	6,225	-	-	7,408,006	22,836,361
Other financial liabilities	-	-	-	-	-	3,735	3,735
	30,039,767	**18,593**	**6,225**	-	-	**7,530,936**	**37,595,521**
	(7,369,703)	**(6,970)**	**5,114**	**2,151,400**	**777,777**	**15,593,981**	**11,151,599**

15 Risk management, continued

(b) Market risk, continued

(ii) Average interest rates

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

	2014 Average effective interest rate, %			2013 Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	3.50	0.09	0.69	4.25	0.10	3.79
Loans to customers	9.44	2.96	-	7.00	3.33	-
Held-to-maturity investments	4.39	-	-	4.39	-	-
Interest bearing liabilities						
Due to banks						
- Vostro accounts	-	0.10	-	-	0.14	-
Current accounts and deposits from customers						
- Current accounts and demand deposits	0.30	0.32	-	0.30	0.50	-
- Term deposits	-	3.41	-	-	0.49	-

(iii) Interest rate sensitivity analysis

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

	2014 KZT'000	2013 KZT'000
100 bp parallel fall	(39,048)	(56,532)
100 bp parallel rise	39,048	56,532

15 Risk management, continued

(b) Market risk, continued

(iv) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank does not hedge its exposure to currency risk.

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

	USD KZT'000	CNY KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	14,118,361	4,715,313	1,227	18,834,901
Loans to customers	7,146,122	-	-	7,146,122
Other financial assets	55,198	-	-	55,198
Total assets	**21,319,681**	**4,715,313**	**1,227**	**26,036,221**
LIABILITIES				
Due to banks	9,150,851	-	-	9,150,851
Current accounts and deposits from customers	12,171,414	4,712,977	-	16,884,391
Other financial liabilities	11,245	-	-	11,245
Total liabilities	**21,333,510**	**4,712,977**	**-**	**26,046,487**
Net position	**(13,829)**	**2,336**	**1,227**	**(10,266)**

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

	USD KZT'000	CNY KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	23,406,709	1,793,068	860	25,200,637
Loans to customers	5,654,426	-	-	5,654,426
Total assets	**29,061,135**	**1,793,068**	**860**	**30,855,063**
LIABILITIES				
Due to banks	14,665,350	-	-	14,665,350
Current accounts and deposits from customers	14,380,920	1,791,306	-	16,172,226
Total liabilities	**29,046,270**	**1,791,306**	**-**	**30,837,576**
Net position	**14,865**	**1,762**	**860**	**17,487**

15 Risk management, continued

(b) Market risk, continued

(iv) Currency risk

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 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 KZT'000	**2013 KZT'000**
20% appreciation of USD against KZT	(2,213)	2,378
10% appreciation of CNY against KZT	187	141
10% appreciation of Other currencies against KZT	98	69

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 remain constant.

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the 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 Loan 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 Risk Management and Law Compliance Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Management and Law Compliance Department. 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.

15 Risk management, continued

(c) Credit risk, continued

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

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management and Law Compliance Department with regard to credit concentration and market risks.

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

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

	2014 KZT'000	2013 KZT'000
ASSETS		
Cash and cash equivalents	30,450,277	39,973,899
Loans to customers	10,465,968	5,659,412
Held-to-maturity investments	2,415,906	3,020,685
Other financial assets	55,198	20
Total maximum exposure	**43,387,349**	**48,654,016**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 9.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 17.

(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 honor 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-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

15 Risk management, continued

(d) Liquidity risk, continued

The liquidity management policy requires:

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

The following tables show the undiscounted cash flows on financial assets, 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 assets, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.The maturity analysis for financial assets and 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 inflow (outflow)	Carrying amount
Non-derivative assets							
Cash and cash equivalents	30,661,439	-	-	-	-	30,661,439	30,661,439
Loans to customers	18,707	188,219	160,579	267,330	11,081,501	11,716,336	10,465,968
Held-to-maturity investments	12,635	21,360	17,868	48,971	2,853,387	2,954,221	2,415,906
Other financial assets	55,198	-	-	-	-	55,198	55,198
Total assets	**30,747,979**	**209,579**	**178,447**	**316,301**	**13,934,888**	**45,387,194**	**43,598,511**
Non-derivative liabilities							
Due to banks	(9,341,775)	-	-	-	-	(9,341,775)	(9,341,775)
Current accounts and deposits from customers	(22,374,717)	(42,605)	(29,470)	(3,231)	-	(22,450,023)	(22,199,789)
Other financial liabilities	(14,613)	-	-	-	-	(14,613)	(14,613)
Total liabilities	**(31,731,105)**	**(42,605)**	**(29,470)**	**(3,231)**	**-**	**(31,806,411)**	**(31,556,177)**
Net liquidity gap on recognised financial assets and liabilities	**(983,126)**	**166,974**	**148,977**	**313,070**	**13,934,888**	**13,580,783**	**12,042,334**
Credit related commitments	**(3,961,130)**	**-**	**-**	**-**	**-**	**(3,961,130)**	**(3,961,130)**

15 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial assets and 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 inflow (outflow)	Carrying amount
Non-derivative assets							
Cash and cash equivalents	30,870,365	9,252,246	-	-	-	40,122,611	40,067,003
Loans to customers	1,901	361,570	130,973	4,188,558	1,448,336	6,131,338	5,659,412
Held-to-maturity investments	618,108	36,123	3,105	27,729	2,976,180	3,661,245	3,020,685
Other financial assets	20	-	-	-	-	20	20
Total assets	**31,490,394**	**9,649,939**	**134,078**	**4,216,287**	**4,424,516**	**49,915,214**	**48,747,120**
Non-derivative liabilities							
Due to banks	(7,822,288)	(6,935,613)	-	-	-	(14,757,901)	14,755,425
Current accounts and deposits from customers	(22,799,504)	(12,267)	(19,098)	(6,582)	-	(22,837,451)	22,836,361
Other financial liabilities	(3,735)	-	-	-	-	(3,735)	3,735
Total liabilities	**(30,625,527)**	**(6,947,880)**	**(19,098)**	**(6,582)**	**-**	**(37,599,087)**	**37,595,521**
Net liquidity gap on recognised financial assets and liabilities	**864,867**	**2,702,059**	**114,980**	**4,209,705**	**4,424,516**	**12,316,127**	**11,151,599**
Credit related commitments	**(3,712,653)**	**-**	**-**	**-**	**-**	**(3,712,653)**	**(3,712,653)**

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Accordingly, these deposits, excluding accrued interest, are shown in the table above in the category of "Demand and less than 1 month".

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.

15 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Non-derivative assets							
Cash and cash equivalents	30,661,439	-	-	-	-	-	30,661,439
Loans to customers	15,460	8,003	16,244	10,426,261	-	-	10,465,968
Held-to-maturity investments	12,635	16,517	10,019	1,598,958	777,777	-	2,415,906
Property, equipment and intangible assets	-	-	-	-	-	681,764	681,764
Other assets	63,913	513	9,857	-	-	-	74,283
Total assets	**30,753,447**	**25,033**	**36,120**	**12,025,219**	**777,777**	**681,764**	**44,299,360**
Non-derivative liabilities							
Due to banks	9,341,775	-	-	-	-	-	9,341,775
Current accounts and deposits from customers	22,125,139	42,410	32,240	-	-	-	22,199,789
Current tax liability	-	-	6,615	-	-	-	6,615
Other liabilities	13,629	-	15,523	-	-	-	29,152
Total liabilities	**31,480,543**	**42,410**	**54,378**	**-**	**-**	**-**	**31,577,331**
Net position	**(727,096)**	**(17,377)**	**(18,258)**	**12,025,219**	**777,777**	**681,764**	**12,722,029**

15 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Non-derivative assets							
Cash and cash equivalents	30,860,233	9,206,770	-	-	-	-	40,067,003
Loans to customers	450	20,747	3,929,786	1,708,429	-	-	5,659,412
Held-to-maturity investments	616,881	17,135	21,706	1,587,186	777,777	-	3,020,685
Property, equipment and intangible assets	-	-	-	-	-	707,714	707,714
Deferred tax asset	-	-	-	-	286	-	286
Other assets	3,242	2,343	5,791	-	-	-	11,376
Total assets	**31,480,806**	**9,246,995**	**3,957,283**	**3,295,615**	**778,063**	**707,714**	**49,466,476**
Non-derivative liabilities							
Due to banks	7,822,725	6,932,700	-	-	-	-	14,755,425
Current accounts and deposits from customers	22,799,486	12,057	24,818	-	-	-	22,836,361
Current tax liability	-	-	903	-	-	-	903
Other liabilities	4,984	520	-	-	-	-	5,504
Total liabilities	**30,627,195**	**6,945,277**	**25,721**	**-**	**-**	**-**	**37,598,193**
Net position	**853,611**	**2,301,718**	**3,931,562**	**3,295,615**	**778,063**	**707,714**	**11,868,283**

16 Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK.

As at 31 December 2014 and 2013 the Bank complied in full with all its externally imposed capital requirements.

The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policy and processes of capital management from the previous years.

The NBRK requires second-tier banks to maintain the capital adequacy ratio k1-1 of not less than 5% of the total assets under NBRK rules, ratio k1-2 of not less than 5% and ratio k2 of not less than 10% of risk-weighted assets, contingent liabilities, possible claims and liabilities and operational risks.

Computation of capital adequacy ratio

- Capital adequacy ratio k1-1 is computed as tier one capital to total assets under the NBRK rules;
- Capital adequacy ratio k1-2 is computed as tier one capital to risk-weighted assets and contingent liabilities, possible claims and liabilities;
- Capital adequacy ratio k2 is computed as statutory capital to risk-weighted assets and contingent liabilities, and possible claims and liabilities.

As at 31 December 2014 and 2013, the Bank's capital adequacy ratio exceeded the statutory minimum.

As at 31 December 2014 and 2013, the Bank's capital adequacy ratio, computed in accordance with the NBRK requirements together with subsequent adjustments retaining to inclusion of market risk, comprised:

	2014 KZT'000	**2013 KZT'000**
Tier 1 capital	11,867,391	11,299,190
Tier 2 capital	853,746	568,088
Total statutory capital	**12,721,137**	**11,867,278**
Total assets under the NBRK rules	**44,299,360**	**49,466,476**
Risk weighted assets and contingent liabilities, possible claims and liabilities	**16,934,050**	**29,789,240**
Capital adequacy ratio k1-1	**26.8%**	**22.8%**
Capital adequacy ratio k1-2	**70.1%**	**37.9%**
Capital adequacy ratio k2	**75.1%**	**39.8%**

17 Credit related commitments

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

	2014 KZT'000	2013 KZT'000
Contracted amount		
Loan and credit line commitments	-	2,773,080
Guarantees and letters of credit	3,961,130	939,573
	3,961,130	**3,712,653**

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The majority of loan and credit line commitments do not represent an unconditional credit related commitment by the Bank.

18 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

18 Contingencies, continued

(c) Taxation contingencies, continued

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

19 Related party transactions

(a) Control relationships

The Bank's parent company is Industrial and Commercial Bank of China JSC. The party with ultimate control over the Bank is the People's Republic of China.

Publicly available financial statements are produced by the Bank's parent company.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2014 and 2013 is as follows:

	2014 KZT'000	2013 KZT'000
Short term employee benefits	53,146	55,084
	53,146	**55,084**

These amounts include cash and non-cash benefits in respect of the members of the Board of Directors and the Management Board.

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

	2014 KZT'000	Average interest rate, %	2013 KZT'000	Average interest rate, %
Statement of financial position				
Loans to customers	-	-	700	7
Current accounts and deposits from customers	2,216	2.50	15,907	4.5

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

	2014 KZT'000	2013 KZT'000
Profit or loss		
Interest income	-	54
Interest expense	(3)	(69)

19 Related party transactions, continued

(c) Transactions with other related parties

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

	Transactions with the parent company and related entities				Transactions with entities related to People's Republic of China				
	Parent company		Entities under common control		Government entities		Government related entities*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position									
ASSETS									
Cash and cash equivalents									
- In KZT	-	-	-	-	-	-	-	-	-
- In USD	411,691	0.09	31,162	0.05	-	-	-	-	442,853
- In CNY	12,913	0.72	-	-	-	-	-	-	12,913
Loans to customers									
- In KZT	-	-	-	-	-	-	1,833,409	9.00	1,833,409
- In USD	-	-	-	-	2,918,094	3.10	4,227,762	2.81	7,145,856
LIABILITIES									
Due to banks									
- In KZT	173,928	-	-	-	16,996	-	-	-	190,924
- In USD	-	-	-	-	-	-	-	-	-
Current accounts and deposits from customers									
- In KZT	-	-	-	-	33,796	-	4,310,149	0.06	4,343,945
- In USD	-	-	-	-	84,409	-	10,699,201	0.19	10,783,610
Profit (loss)									
Interest income	9,185	-	6,029	-	22,611	-	119,850	-	157,675
Interest expense	-	-	-	-	-	-	(23,082)	-	(23,082)
Fee and commission income	-	-	-	-	-	-	261,235	-	261,235
Fee and commission expense	(62,442)	-	-	-	-	-	-	-	(62,442)

19 Related party transactions, continued

(c) Transactions with other related parties, continued

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

	Transactions with the parent company and related entities				Transactions with entities related to People's Republic of China				
	Parent company		Entities under common control		Government entities		Government related entities*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position									
ASSETS									
Cash and cash equivalents									
- In KZT	-	-	-	-	-	-	2,818,837	4.50	2,818,837
- In USD	383,458	0.13	9,840,689	0.02	-	-	5,392,130	0.10	15,616,277
Loans to customers									
- In KZT	-	-	-	-	-	-	1,152,330	4.14	1,152,330
- In USD	-	-	-	-	-	-	-	-	-
LIABILITIES									
Due to banks									
- In KZT	90,075	-	-	-	-	-	-	-	90,075
- In USD	-	-	-	-	-	-	5,392,130	0.10	5,392,130
Current accounts and deposits from customers									
- In KZT	-	-	-	-	196,350	-	4,406,753	0.26	4,603,103
- In USD	-	-	-	-	19,812	-	13,495,834	0.26	13,515,646
Profit (loss)									
Interest income	14,048	-	87,990	-	-	-	126,444	-	228,482
Interest expense	(9,236)	-	(4,781)	-	-	-	(7,537)	-	(21,554)

*Government related entities are entities that are controlled, jointly controlled of significantly influenced by the government of the People's Republic of China.

20 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	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	30,661,439	-	30,661,439	30,661,439
Loans customers:					
Loans to corporate customers	-	10,453,558	-	10,453,558	10,453,558
Loans to retail customers	-	12,410	-	12,410	12,410
Held-to-maturity investments:					
Government bonds	2,415,906	-	-	2,415,906	2,297,063
	2,415,906	**41,127,407**	-	**43,543,313**	**43,424,470**
Due to banks	-	-	9,341,775	9,341,775	9,341,775
Current accounts and deposits from customers	-	-	22,199,789	22,199,789	22,199,789
Other financial liabilities	-	-	3,368	3,368	3,368
	-	-	**31,544,932**	**31,544,932**	**31,544,932**

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

KZT'000	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	40,067,003	-	40,067,003	40,067,003
Loans customers:					
Loans to corporate customers	-	5,654,426	-	5,654,426	5,592,634
Loans to retail customers	-	4,986	-	4,986	4,987
Held-to-maturity investments:					
Government bonds	3,020,685	-	-	3,020,685	2,904,129
Other financial assets	-	20	-	20	20
	3,020,685	**45,726,435**	-	**48,747,120**	**48,568,773**
Due to banks	-	-	14,755,425	14,755,425	14,755,425
Current accounts and deposits from customers	-	-	22,836,361	22,836,361	22,836,361
Other financial liabilities	-	-	3,735	3,735	3,735
	-	-	**37,595,521**	**37,595,521**	**37,595,521**

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

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

20 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values, continued

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

The Bank uses widely recognised valuation models for determining the fair values of financial instruments. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(b) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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, excluding the financial instruments, for which the carrying amount approximates the fair value:

KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Loans customers	10,465,968	10,465,968	10,465,968
Held-to-maturity investments	2,297,063	2,297,063	2,415,906

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, excluding the financial instruments, for which the carrying amount approximates the fair value:

KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Loans customers	5,597,621	5,597,621	5,659,412
Held-to-maturity investments	2,904,129	2,904,129	3,020,685

21 Events after the reporting period

On January 2015, the Bank issued loans to new two corporate customers in the amount of KZT 2,928,000 thousand and KZT 2,880,000 thousand, which bears an effective interest rate of 9.5% and 10.6% per annum and matures in 2016 and 2017, respectively.