Mortgage Organisation
Kazakhstan Mortgage Company JSC

Consolidated Financial Statements

for the year ended 31 December 2013

Contents

KPMG

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Independent Auditors' Report

To the Board of Directors of Mortgage Organisation Kazakhstan Mortgage Company JSC

We have audited the accompanying consolidated financial statements of Mortgage Organisation Kazakhstan Mortgage Company JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

The Group restated comparative information in the consolidated financial statements as at and for the year ended 31 December 2013 to recognise a foreign currency derivative embedded in a loan payable that previously was not separated and measured at fair values as required by International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement.* In our audit report dated 28 February 2013 on the consolidated financial statements of the Group as at and for the year ended 31 December 2012 we expressed a qualified opinion on this matter.

Also during the year ended 31 December 2013 the Group identified and adjusted prior period errors relating to measurement at initial recognition of fair values of certain held-to-maturity investments and available-for-sale assets and impairment of an investment in subsidiary.

The effect of the above adjustments is presented in Note 2 (f) to the consolidated financial statements. As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2013, we have audited the adjustments described in Note 2 (f) to the consolidated financial statements that were applied to restate the consolidated financial statements as at and for the year ended 31 December 2012. In our opinion, such adjustments are appropriate and have been properly applied.

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

KPMG Audit LLC

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

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

2 April 2014

	Note	2013 KZT'000	Restated 2012 KZT'000
Interest income	4	9,669,486	7,400,125
Interest expense	4	(8,838,876)	(8,408,637)
Net interest expense		**830,610**	**(1,008,512)**
Fee and commission income		8,597	3,526
Fee and commission expense		(94,671)	(14,658)
Net fee and commission expense		**(86,074)**	**(11,132)**
Net loss on available-for-sale financial assets		-	(194,440)
Net foreign exchange (loss) gain		(48,210)	43,716
Net loss on financial instruments at fair value through profit or loss		-	(296,302)
Other operating income		234,941	42,151
Operating income (loss)		**931,267**	**(1,424,519)**
Impairment (losses) recoveries	5	(44,954)	151,934
General administrative expenses	6	(1,502,445)	(2,077,116)
Loss before income tax		**(616,132)**	**(3,349,701)**
Income tax benefit	7	783,828	2,448,484
Profit (loss) for the year		**167,696**	**(901,217)**
Basic and diluted earnings (loss) per share, in KZT	21(f)	51	(341)

The consolidated financial statements as set out on pages 5 to 65 were approved by management on 2 April 2014 and were signed on its behalf by:

Ibadullayev A.
Chairman of the Management Board

Baizhanova A.R.
Deputy Chief Accountant

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

	2013 KZT'000	Restated 2012 KZT'000
Profit (loss) for the year	**167,696**	**(901,217)**
Other comprehensive income, net of income tax		
Items that are or may be reclassified subsequently to profit or loss:		
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	(125,110)	(733,300)
- Net change in fair value transferred to profit or loss	-	194,440
Total items that are or may be reclassified subsequently to profit or loss	*(125,110)*	*(538,860)*
Other comprehensive loss for the year, net of income tax	**(125,110)**	**(538,860)**
Total comprehensive income (loss) for the year	**42,586**	**(1,440,077)**

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

	Note	2013 KZT'000	Restated 2012 KZT'000	Restated 2011 KZT'000
ASSETS				
Cash and cash equivalents	8	8,546,337	13,826,675	3,453,838
Placements with banks and other financial institutions	9	17,581,157	12,521,213	10,574,941
Available-for-sale financial assets	10	8,992,960	10,242,198	8,587,968
Loans to customers	11	98,882,264	51,472,092	55,535,523
Held-to-maturity investments	12	10,422,796	10,821,256	11,666,915
Current tax asset		810,316	628,864	505,111
Property and equipment	13	1,645,998	2,016,148	2,313,793
Investment property	14	1,418,827	663,719	605,082
Deferred tax asset	7	2,033,764	2,424,963	-
Assets held for sale	15	-	1,337,929	-
Other assets	16	3,752,185	251,220	327,737
Total assets		**154,086,604**	**106,206,277**	**93,570,908**
LIABILITIES				
Debt securities issued	17	80,057,711	51,140,625	55,523,652
Subordinated debt securities issued	18	9,666,887	4,473,652	-
Other borrowed funds	19	28,550,720	30,701,647	17,517,788
Deferred tax liability	7	-	-	23,521
Financial liability at fair value through profit or loss	19	-	2,951,358	2,897,804
Other liabilities	20	6,006,247	897,465	126,536
Total liabilities		**124,281,565**	**90,164,747**	**76,089,301**
EQUITY	21			
Share capital		43,920,000	28,920,000	28,920,000
Share premium		12,661	12,661	12,661
Treasury shares		(2,597,522)	(2,597,422)	(2,597,422)
Additional paid-in capital		5,822,856	6,998,161	6,998,161
Reserve capital		2,734,447	2,630,820	2,630,820
Revaluation reserve for available-for-sale financial assets		(465,207)	(340,097)	198,763
Accumulated losses		(19,622,196)	(19,582,593)	(18,681,376)
Total equity		**29,805,039**	**16,041,530**	**17,481,607**
Total equity and liabilities		**154,086,604**	**106,206,277**	**93,570,908**

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

	2013 KZT'000	Restated 2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(616,132)**	**(3,349,701)**
Adjustments for non-cash items:		
Depreciation and amortisation	72,025	99,112
Impairment losses (recoveries)	44,954	(151,934)
Interest income	(9,669,486)	(7,400,125)
Interest expense	8,838,876	8,408,637
Net foreign exchange loss (gain)	48,210	(43,716)
Net loss on available-for-sale financial assets	-	194,440
Net loss on financial instruments at fair value through profit or loss	-	296,302
Loss on disposal of investment property	-	4,618
	(1,281,553)	**(1,942,367)**
(Increase) decrease in operating assets		
Placements with banks and other financial institutions	(4,824,313)	(1,984,246)
Loans to customers	(42,092,212)	2,708,465
Other assets	(2,175,675)	(54,867)
Increase (decrease) in operating liabilities		
Other liabilities	(425,172)	762,670
Net cash used in operating activities before interest and income tax paid	**(50,798,925)**	**(510,345)**
Income tax paid	(181,452)	(123,753)
Interest received	9,036,061	7,529,458
Interest paid	(6,019,451)	(6,513,785)
Cash flows (used in) from operations	**(47,963,767)**	**381,575**

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

	2013 KZT'000	2012 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(3,209,218)
Redemption and sale of available-for-sale financial assets	1,238,250	987,009
Redemption of held-to-maturity investments	390,000	898,100
Purchases of property and equipment	(59,513)	(40,873)
Sales of property and equipment	2,745	-
Sales of investment property	43,702	40,002
Cash flows from (used in) investing activities	**1,615,184**	**(1,324,980)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds shares issued	15,000,000	-
Acquisition of treasury shares	(100)	-
Proceeds from debt securities issued	32,840,722	7,004
Repurchase/redemption of debt securities issued	(6,130,767)	(5,778,297)
Receipts from subordinated debt securities issued	5,049,402	4,457,535
Receipts of other borrowed funds	10,867,251	14,300,000
Repayment of other borrowed funds	(16,464,000)	(1,670,000)
Dividends paid	(103,672)	-
Cash flows from financing activities	**41,058,836**	**11,316,242**
Net (decrease) increase in cash and cash equivalents	**(5,289,747)**	**10,372,837**
Effect of changes in exchange rates on cash and cash equivalents	9,409	-
Cash and cash equivalents at the beginning of the year	13,826,675	3,453,838
Cash and cash equivalents at the end of the year (Note 8)	**8,546,337**	**13,826,675**

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

KZT'000	Share capital	Share premium	Treasury shares	Additional paid in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2012, as previously reported	**28,920,000**	**12,661**	**(2,597,422)**	**6,998,161**	**2,630,820**	**(94,228)**	**(13,684,291)**	**22,195,701**
Restatement (Note 2(f))	-	-	-	-	-	292,991	(4,997,085)	(4,704,094)
Balance as at 1 January 2012, restated	**28,920,000**	**12,661**	**(2,597,422)**	**6,998,161**	**2,630,820**	**198,763**	**(18,681,376)**	**17,481,607**
Total comprehensive loss								
Loss for the year, restated	-	-	-	-	-	-	(901,217)	(901,217)
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets, restated	-	-	-	-	-	(733,300)	-	(733,300)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	194,440	-	194,440
Total items that are or may be reclassified subsequently to profit or loss, restated	-	-	-	-	-	*(538,860)*	-	*(538,860)*
Total other comprehensive income, restated	-	-	-	-	-	(538,860)	-	(538,860)
Total comprehensive loss for the year, restated	-	-	-	-	-	**(538,860)**	**(901,217)**	**(1,440,077)**
Balance as at 31 December 2012, restated	**28,920,000**	**12,661**	**(2,597,422)**	**6,998,161**	**2,630,820**	**(340,097)**	**(19,582,593)**	**16,041,530**

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

KZT'000	Share capital	Share premium	Treasury shares	Additional paid in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance at 1 January 2013, restated	**28,920,000**	**12,661**	**(2,597,422)**	**6,998,161**	**2,630,820**	**(340,097)**	**(19,582,593)**	**16,041,530**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	167,696	167,696
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(125,110)	-	(125,110)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	-	*(125,110)*	-	*(125,110)*
Total other comprehensive income	-	-	-	-	-	(125,110)	-	(125,110)
Total comprehensive income for the year	-	-	-	-	-	**(125,110)**	**167,696**	**42,586**
Transactions with owners, recorded directly in equity								
Increase in share capital (Note 21(a))	15,000,000	-	-	-	-	-	-	15,000,000
Dividends declared (Note 21(b))	-	-	-	-	-	-	(103,672)	(103,672)
Purchase of ordinary shares	-	-	(100)	-	-	-	-	(100)
Recognition of previously unrecognised deferred tax liability (Note 7)	-	-	-	(1,175,305)	-	-	-	(1,175,305)
Transfer to reserve capital (Note 21(d))	-	-	-	-	103,627	-	(103,627)	-
Total transactions with owners	**15,000,000**	-	**(100)**	**(1,175,305)**	**103,627**	-	**(207,299)**	**13,720,923**
Balance at 31 December 2013	**43,920,000**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**(465,207)**	**(19,622,196)**	**29,805,039**

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

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of Mortgage Organisation Kazakhstan Mortgage Company JSC (the "Company") and its fully-owned subsidiaries, United Payment Systems LLC and Kazakh Housing and Construction Corporation JSC (together referred to as the "Group").

The Company was established on 29 December 2000 in accordance with resolution number 469 of the National Bank of the Republic of Kazakhstan (the "NBRK") dated 20 December 2000. The principal activity of the Company is issuance of mortgage loans in accordance with the license of regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

On 12 April 2010 the Company obtained a banking license #5.1.69 on banking lending transactions.

The activities of the Company are regulated by the Committee for the control and supervision of the financial market and financial organisations of the NBRK (the "FMSC") and the NBRK.

The Company's official address is 98, Karasay Batyr st., 050012, Almaty, Kazakhstan. The Company has a representative office in Astana.

Under the realisation of the Program "Affordable Housing-2020" the Company established a subsidiary company, United Payment Systems LLC (state registration certificate of a legal entity № 1266-1910-02-TOO dated 9 July 2012). The main functions of the subsidiary are communications with potential lessees, conclusion of rent and utilities (maintenance) agreements, collection and arrangement of lease payments and payments relating to servicing of current mortgage transactions, and control over completeness and timeliness of cash flows.

United Payment Systems LLC established a subsidiary in the form of the joint-stock company, Kazakhstan Housing Construction Corporation JSC (state registration certificate of a legal entity № 1559-1910-02-AO dated 6 August 2012). In accordance with the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012 the main functions of the subsidiary are organisation and holding of necessary tenders, engineering supervision on all stages of construction, acceptance and putting in use, and once completed, supporting the transfer of leased property to the Company.

(b) Shareholders

As at 31 December 2013 National Management Holding Baiterek JSC ("Baiterek") owned 97.62168% of the Company's voting shares. On 24 October 2013 4,043,490 ordinary shares (94.1772% of total ordinary shares) were transferred to Baiterek as a contribution to its share capital in accordance with the Decree #516 of the Government of the Republic of Kazakhstan dated 25 May 2013 and the Order #788 of the Committee of the State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan dated 17 October 2013. In December 2013 Baiterek contributed KZT 985,100 thousand to the share capital of the Company.

As at 31 December 2012 the Committee of the State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan owned 100% of the Company's voting shares.

(c) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, 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 consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency of the Company and its subsidiaries 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 consolidated financial statements.

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

(d) Use of estimates and judgments

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

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

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

- Correction of errors – Note 2(f)
- Income tax benefit – Note 7
- Available-for-sale financial assets – Note 10
- Loans to customers - Note 11
- Held-to-maturity investments – Note 12
- Other borrowed funds – Note 19.

(e) Change in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 *Consolidated Financial statements* (see (i))
- IFRS 11 *Joint Arrangements* (see (ii))
- IFRS 12 *Disclosure of Interests in Other Entities* (see (iii))
- IFRS 13 *Fair Value Measurements* (see (iv))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (see (v))
- *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (vi))

2 Basis of preparation, continued

(e) Change in accounting policies, continued

The nature and the effect of the changes are explained below.

(i) Subsidiaries, including structured entities

As a result of adoption of IFRS 10, the Group changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities. See Notes 3 (a)(i)-(ii).

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees as at 1 January 2013. The Group determined that its consolidated group structure remained unchanged under IFRS 10, and as a result, the consolidated financial statements are unaffected.

(ii) Joint arrangements

As a result of adoption of IFRS 11, the Group changed its accounting policy for its interest in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

IFRS 11 does not have any impact on the Group because the Group does not have interests in joint ventures.

(iii) Disclosure of Interests in Other Entities

The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of adoption of IFRS 12, the Group included new disclosures in the consolidated financial statements that are required under IFRS 12 and provided comparative information for new disclosures.

(iv) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the prices at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures* (see Note 26).

As a result, the Group adopted a new definition of fair value, as set out in Note 3(d)(v). The change had no significant impact on the measurements of assets and liabilities. However, the Group included new disclosures in the consolidated financial statements that are required under IFRS 13, comparatives not restated.

2 Basis of preparation, continued

(e) Change in accounting policies, continued

(v) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information is also re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities or comprehensive income.

(vi) Financial instruments: Disclosures – Offsetting financial assets and financial liabilities

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* introduced new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

The Group included new disclosures in the consolidated financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures (Note 22(d)).

(f) Correction of errors

During the preparation of consolidated financial statements as at and for the year ended 31 December 2013, management of the Group identified errors affecting 31 December 2012 and 2011 corresponding figures.

(i) Recognition of previously unrecognised derivative embedded in a loan payable to a foreign organisation

During the year ended 31 December 2013 management decided to restate prior period financial information to recognise as required by IAS 39 *Financial Instruments: Recognition and Measurement* a foreign currency derivative instrument that was embedded in the loan payable to Credit Suisse International (Note 19). As a result, the Group recognised a financial liability at fair value through profit or loss of KZT 2,897,804 thousand and KZT 2,951,358 thousand as at 31 December 2011 and 2012, respectively.

Fair value of the derivative was calculated using a model based on the forward knock out derivative model. The forward knock out derivative model is based on a forward contract with a specified delivery price maturing at a specified time with an attached barrier. The forward feature ceases to exist as soon as the underlying spot price reaches this barrier.

The following inputs and assumptions were used in the calculation of the fair value of the derivative instrument as at 31 December 2011 and 2012:

- Forward exchange rate 107.15 JPY/USD
- Spot rates 76.91 JPY/USD and 86.75 JPY/USD as at 31 December 2011 and 2012, respectively
- Barrier rate of 69.75 JPY/USD
- Volatility from 8.63% to 12.06%
- USD risk-free rate from 0.10% to 0.83%
- JPY risk-free rate from 0.09% to 0.34%.

In December 2012 the Group took a decision to terminate the loan agreement and sent an official notice to the counterparty. On 10 January 2013 the loan was repaid in full. To reflect the change in expected cash flows of the loan, all its components including the embedded derivative were recognised at terminal values as at 31 December 2012. The Group has also made an accrual of withholding tax of KZT 737,839 thousand on amounts payable due to early termination and interest expense of KZT 98,939 thousand as at 31 December 2012.

2 Basis of preparation, continued

(f) Correction of errors, continued

(ii) Initial recognition of financial assets available-for-sale and held-to-maturity instruments at fair value

In 2010 the Group acquired fixed coupon bonds of Bank of America Corp and Goldman Sachs Group Inc for the nominal value of USD 23,500 thousand. These bonds were classified as held to maturity and measured at amortised cost in the consolidated financial statements. During the year ended 31 December 2013 management adjusted the fair value of these bonds at initial recognition. The fair value recalculated using market quotes for similar instruments at acquisition period was estimated at USD 10,221 thousand.

The comparative information for 2012 and 2011 presented in these consolidated financial statements is therefore adjusted to measure the bonds at their fair value on initial recognition and to recognise a loss equal to the difference between the fair value on initial recognition and the transaction price. The balance of held-to-maturity investments was reduced by KZT 1,806,290 thousand and KZT 1,738,627 thousand as at 31 December 2011 and 2012, respectively, interest income and net foreign exchange loss were adjusted by KZT 95,115 thousand and KZT 27,453 thousand for the year ended 31 December 2012.

During 2013 management also adjusted the value at initial recognition of certain domestic bonds purchased in 2009 and 2011 years. These bonds are classified as available-for-sale assets in the Group's consolidated financial statements. The Group therefore recognised a loss in the total amount of KZT 300,185 thousand in profit or loss at initial recognition. As a result, the balance of revaluation reserve for available-for-sale financial assets and the balance of accumulated losses as at 31 December 2011 and 2012 were increased by KZT 292,991 thousand and KZT 277,719 thousand, respectively, and interest income and net change in fair value of available-for-sale financial assets were understated by KZT 15,272 thousand for the year ended 31 December 2012.

(iii) Impairment of property and equipment

During 2013 the Group identified impairment of the administrative building in Almaty in the amount of KZT 244,736 thousand that occurred in 2012 year. The impairment test was based on fair value less costs of disposal, estimated using the market approach.

The effect of the above correction of errors on the comparative figures can be summarised as follows:

KZT'000	As previously reported	Correction of errors	As restated
Consolidated income statement for the year ended 31 December 2012			
Interest income	7,289,738	110,387	7,400,125
Interest expense	(8,309,698)	(98,939)	(8,408,637)
Net interest expense	**(1,019,960)**	**11,448**	**(1,008,512)**
Net foreign exchange (loss) gain	(171,579)	215,295	43,716
Net loss on financial instruments at fair value through profit or loss	-	(296,302)	(296,302)
Operating loss	**(1,354,960)**	**(69,559)**	**(1,424,519)**
Net impairment recoveries (losses)	396,670	(244,736)	151,934
General administrative expenses	(1,342,089)	(735,027)	(2,077,116)
Loss before income tax	**(2,300,379)**	**(1,049,322)**	**(3,349,701)**
Profit (loss) for the year	**148,105**	**(1,049,322)**	**(901,217)**
Consolidated statement of comprehensive income for the year ended 31 December 2012			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value of available-for-sale financial assets	(718,028)	(15,272)	(733,300)
Other comprehensive loss for the year	**(523,588)**	**(15,272)**	**(538,860)**
Total comprehensive loss for the year	**(375,483)**	**(1,064,594)**	**(1,440,077)**

2 Basis of preparation, continued

(f) Correction of errors, continued

KZT'000	As previously reported	Correction of errors	As restated
Consolidated statement of financial position as at 31 December 2012			
ASSETS			
Held-to-maturity investments	12,559,883	(1,738,627)	10,821,256
Property and equipment	2,259,219	(243,071)	2,016,148
Other assets	250,072	1,148	251,220
Total assets	**108,186,827**	**(1,980,550)**	**106,206,277**
LIABILITIES			
Other borrowed funds	30,610,965	90,682	30,701,647
Financial liability at fair value through profit or loss	-	2,951,358	2,951,358
Other liabilities	151,367	746,098	897,465
Total liabilities	**86,376,609**	**3,788,138**	**90,164,747**
EQUITY			
Revaluation reserve for available-for-sale financial assets	(617,816)	277,720	(340,097)
Accumulated losses	(13,536,186)	(6,046,408)	(19,582,593)
Total equity	**21,810,218**	**(5,768,688)**	**16,041,530**
Total liabilities and equity	**108,186,827**	**(1,980,550)**	**106,206,277**
Consolidated statement of cash flows for the year ended 31 December 2012			
Loss before income tax	**(2,300,379)**	**(1,049,322)**	**(3,349,701)**
Adjustments for non-cash items:			
Impairment (recoveries) losses	(396,670)	244,736	(151,934)
Interest income	(7,289,738)	(110,387)	(7,400,125)
Interest expense	8,309,698	98,939	8,408,637
Net foreign exchange loss (gain)	171,579	(215,295)	(43,716)
Net loss on financial instruments at fair value through profit or loss	-	296,302	296,302
(Increase)/decrease in operating assets			
Other assets	(52,055)	(2,812)	(54,867)
Increase in operating liabilities			
Other liabilities	24,831	737,839	762,670
Cash flows from operations	**381,575**	**-**	**381,575**
Statement of financial position as at 31 December 2011			
ASSETS			
Held-to-maturity investments	13,473,205	(1,806,290)	11,666,915
Total assets	**95,377,198**	**(1,806,290)**	**93,570,908**
LIABILITIES			
Financial liability at fair value through profit or loss	-	2,897,804	2,897,804
Total liabilities	**73,191,497**	**2,897,804**	**76,089,301**
EQUITY			
Revaluation reserve for available-for-sale financial assets	(94,228)	292,991	198,763
Accumulated losses	(13,684,291)	(4,997,085)	(18,681,376)
Total equity	**22,185,701**	**(4,704,094)**	**17,481,607**
Total liabilities and equity	**95,377,198**	**(1,806,290)**	**93,570,908**

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, except as disclosed in Note 2(e).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currency

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash, the Group's current accounts in the commercial 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 Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

3 Significant accounting policies, continued

(d) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for 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 Group 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 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 at 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 the 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 Group:

- intends to sell immediately or in the near term

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

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

- the Group 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group 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 which 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.

(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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Fair value measurement principles, continued

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

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

(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 Group 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 Group 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 Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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 Group 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 Group 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Derecognition, continued

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

The Group writes off assets deemed to be uncollectible.

(viii) Derivative financial instruments

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

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

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

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

(ix) Offsetting

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

(e) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

Building	40 years
Computer equipment	3 years
Vehicles	7 years
Other	5-10 years

3 Significant accounting policies, continued

(f) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life is 3 years.

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Impairment

The Group 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 Group 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 Group 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.

3 Significant accounting policies, continued

(j) Impairment, continued

(i) Financial assets carried at amortised cost

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

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

(ii) Financial assets carried at cost

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

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

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been 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.

3 Significant accounting policies, continued

(j) Impairment, continued

(iii) Available-for-sale financial assets, continued

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.

(k) Provisions

A provision is recognised in the consolidated statement of financial position when the Group 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.

(l) 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) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Company 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.

3 Significant accounting policies, continued

(m) 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 for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption is that the carrying amount of investment property will be recovered through sale.

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.

(n) 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 rate 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.

(o) Segment reporting

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

3 Significant accounting policies, continued

(p) 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 2013, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of the new standards on its financial position and performance.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard 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 classification and measurement of financial liabilities was published in October 2010. The third phase was issued in November 2013 and relates to general hedge accounting. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- Amendments to IAS 32 Financial Instruments: 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 amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- 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 Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income (expense)

	2013 KZT'000	Restated 2012 KZT'000
Interest income		
Loans to customers	6,740,843	5,039,275
Available-for-sale financial assets	927,415	926,323
Placements with banks and other financial institutions	1,296,641	724,737
Held-to-maturity investments	613,767	709,790
Other assets	90,820	-
	9,669,486	**7,400,125**
Interest expense		
Debt securities issued	(6,125,408)	(6,505,356)
Subordinated debt securities issued	(744,113)	(156,397)
Other borrowed funds	(1,845,079)	(1,746,884)
Recognition of discount on long-term receivable	(124,276)	-
	(8,838,876)	**(8,408,637)**
Net interest income (expense)	**830,610**	**(1,008,512)**

Included within various line items under interest income for the year ended 31 December 2013 is a total of KZT 250,615 thousand (2012: KZT 311,893 thousand) accrued on impaired financial assets.

5 Net impairment (losses) recoveries

	2013 KZT'000	2012 KZT'000
Loans to customers (Note 11)	(80,542)	229,507
Available-for-sale financial assets (Note 10)	27,921	46,319
Held-to-maturity investments (Note 12)	1,329	94,093
Other assets (Note 16)	6,338	26,751
Property and equipment (Note 13)	-	(244,736)
	(44,954)	**151,934**

6 General administrative expenses

	2013 KZT'000	Restated 2012 KZT'000
Employee compensation	829,466	662,008
Payroll related taxes	82,420	65,024
Personnel expenses	**911,886**	**727,032**
Depreciation and amortisation	77,068	99,112
Advertising and marketing	103,071	88,876
Professional services	66,683	67,635
Taxes other than on income	57,451	51,874
Technical services for software	45,379	47,628
Insurance of mortgage loans	12,558	47,047
Utilities	32,842	30,270
Security	24,265	25,334
Technical maintenance	12,836	23,084
Communications and information services	16,200	21,163
Occupancy	18,938	20,140
State duties	20,159	13,822
Travel	8,240	13,923
Withholding tax from non-residents	-	737,839
Other	94,869	62,337
	1,502,445	**2,077,116**

7 Income tax benefit

	2013 KZT'000	2012 KZT'000
Current year tax expense	(278)	-
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	784,106	2,448,484
Total income tax benefit	**783,828**	**2,448,484**

In 2013, the applicable tax rate for current and deferred tax is 20% (2012: 20%).

7 Income tax benefit, continued

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

	2013 KZT'000	%	Restated 2012 KZT'000	%
Loss before income tax	(616,132)	100	(3,349,701)	100
Income tax at the applicable tax rate	123,226	(20)	669,940	(20)
Other non-deductible costs	(229,913)	37	(189,639)	6
Non-deductible withholding tax from non-residents	-	-	(149,219)	5
Change in unrecognised deferred tax assets	890,515	(144)	2,117,402	(64)
	783,828	(127)	2,448,484	(73)

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 and 2012. These deferred tax assets are partially recognised as at 31 December 2012 and fully recognised as at 31 December 2013 in these consolidated 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 Group's ability to claim the deductions in future periods.

The deductible temporary differences do not expire under current tax legislation. The tax losses carry-forward expire in 2019-2023.

As at 31 December 2012, the Group reassessed unrecognised deferred tax assets and recognised a deferred tax asset of KZT 2,117,402 thousand relating to previously unrecognised tax losses carried forward of KZT 2,067,099 thousand and to 2012 tax losses carried forward of KZT 50,303 thousand, to the extent that it had become probable that future taxable profit would allow deferred tax asset to be recovered.

During 2013 the Group updated its business plan for 2019-2023 years to include significant developments of 2013, mainly the acquisition of mortgage loans from local banks. Based on the revised business plan, the Group recognised an additional, previously unrecognised, deferred tax asset of KZT 890,515 thousand. Management believes that the Group will be able to earn sufficient future taxable profit based on the realisation of the government programme "Affordable housing - 2020" under the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012 and recent acquisitions of mortgage loan portfolios from local banks.

The following significant assumptions were used by management in estimating the amount of deferred tax asset to be recognised:

- implied rate of interest on finance lease receivables – 7.5% p.a for "Affordable housing - 2020" programme and 11.5% p.a. for "Own programme";
- volume of construction property leased under the programme will gradually increase from 155,000 square meters in 2014 to 502,000 square meters in 2016 and will stay at this level for 6 years.

Changes in the assumptions used could affect the deferred tax asset, as follows:

- a decrease in volume of leased property by 15% p.a. could decrease the total amount of deferred tax asset from KZT 2,033,764 thousand to KZT 1,755,849 thousand
- a decrease in implied rate of interest on finance lease by 1.5% p.a. could decrease the amount of deferred tax asset from KZT 2,033,764 thousand to KZT 1,107,931 thousand.

7 Income tax benefit, continued

Deferred tax asset and liability, continued

During the year ended 31 December 2013 the Group has recognised a deferred tax liability related to the equity component of a low interest rate loan received from the shareholder in prior periods. The transfer was made directly in equity and was not done on a retrospective basis since it was not considered significant to comparative information.

Movements in temporary differences during the years ended 31 December 2013 and 2012 are presented as follows:

KZT'000	Restated Balance 1 January 2013	Recognised in profit or loss	Recognised in additional paid-in capital	Balance 31 December 2013
Loans to customers	10,517	(10,517)	-	-
Held-to-maturity investments	347,725	(12,941)	-	334,784
Property and equipment	29,279	(48,357)	-	(19,078)
Other assets	-	6,691	-	6,691
Debt securities issued	-	246,550	-	246,550
Subordinated debt securities issued	-	39,556	-	39,556
Other borrowed funds	-	46,895	(1,175,305)	(1,128,410)
Financial liability at fair value through profit or loss	608,408	(608,408)	-	-
Other liabilities	-	17,875	-	17,875
Tax losses carried forward	2,319,549	216,247	-	2,535,796
	3,315,478	**(106,409)**	**(1,175,305)**	**2,033,764**
Unrecognised deferred tax asset	(890,515)	890,515	-	-
	2,424,963	**784,106**	**(1,175,305)**	**2,033,764**

KZT'000	Restated Balance 1 January 2012	Restated Recognised in profit or loss	Restated Balance 31 December 2012
Loans to customers	(44,612)	55,129	10,517
Held-to-maturity investments	361,258	(13,533)	347,725
Property and equipment	21,091	8,188	29,279
Financial liability at fair value through profit or loss	579,560	28,848	608,408
Tax losses carried forward	2,067,099	252,450	2,319,549
	2,984,396	**331,082**	**3,315,478**
Unrecognised deferred tax asset	(3,007,917)	2,117,402	(890,515)
	(23,521)	**2,448,484**	**2,424,963**

8 Cash and cash equivalents

	2013 KZT'000	2012 KZT'000
Nostro accounts with banks		
- rated BBB	-	24
- rated BBB-	1,073	-
- rated BB	249,954	119,040
- rated BB-	-	20,283
- rated B+	62,140	163,164
- rated B	168,464	10,019
- rated B-	217,551	10,112
- rated CCC	7,851	-
Total nostro accounts with banks	**707,033**	**322,642**
Term deposits with banks		
- rated BB+	-	3,901,250
- rated BB-	9,357	-
- rated BB	-	3,301,128
- rated B	3,000,000	-
- rated B-	4,030,672	6,301,655
- not rated	799,275	-
Total term deposits with banks	**7,839,304**	**13,504,033**
Total cash and cash equivalents	**8,546,337**	**13,826,675**

Credit ratings are based on Standard&Poor's scale.

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

As at 31 December 2013 the Group has two banks (2012: four banks) whose balances exceed 10% of equity. The gross value of these balances as at December 2013 is KZT 7,117,824 thousand (2012: KZT 13,504,033 thousand).

9 Placement with banks and other financial institutions

	2013 KZT'000	2012 KZT'000
- rated BBB-	2,012,274	-
- rated B+	5,011	1,012,727
- rated B	6,328,233	6,541,125
- rated B-	7,020,350	3,910,000
- rated CCC	200,000	-
- not rated	2,015,289	1,057,361
	17,581,157	**12,521,213**

None of the balances are impaired or past due.

As at 31 December 2013 the Group placed term deposits with interest rates ranging from 2% to 9% per annum (2012: 2% to 7%) and which have maturities from March 2014 to April 2015 (2012: January 2013 to March 2014).

As at 31 December 2013 the Group has two banks (2012: one bank) whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2013 is KZT 8,118,250 thousand (2012: KZT 3,910,000 thousand).

10 Available-for-sale financial assets

	2013 KZT'000	2012 KZT'000
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,423,056	1,380,457
Corporate bonds rated from B+ to B	2,934,728	3,029,988
Corporate bonds not rated	5,382,730	6,607,228
	9,740,514	**11,017,673**
Impairment allowance	(747,554)	(775,475)
	8,992,960	**10,242,198**

Corporate bonds are interest-bearing securities, issued by local companies and banks. These securities are freely tradable on the Kazakhstan Stock Exchange ("KASE"), except for the bonds of Rosa JSC ("Rosa") with a gross amount of KZT 437,743 thousand (31 December 2012: KZT 437,743 thousand). Rosa bonds were excluded from trading on KASE on 2 October 2009. The bonds of Doszhan Temir Zholy JSC ("DTZ") with a gross amount of KZT 691,448 thousand (31 December 2012: KZT 695,232 thousand) are currently in the "buffer category" according to the KASE, due to non-conformance with the listing requirements of the official list.

During the year ended 31 December 2013 the Group decreased the impairment allowance for DTZ bonds to 45% or KZT 309,812 thousand based on management's revised estimate of expected future cash flows (31 December 2012: 49% and KZT 337,732 thousand, respectively). The Group used the KASE quotes to determine the expected recoverable amount of DTZ bonds.

As at 31 December 2013 and 2012 the Group considers Rosa bonds fully impaired as based on its understanding of the issuer's financial position it does not expect probable future cash flows from the asset.

Analysis of movements in the impairment allowance:

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	775,475	821,794
Net recovery	(27,921)	(46,319)
Balance at the end of the year	**747,554**	**775,475**

11 Loans to customers

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loans comprise KZT and USD denominated mortgage loans due from individuals located in the Republic of Kazakhstan.

All loans are secured by the underlying housing real estate.

	2013 KZT'000	2012 KZT'000
Mortgage loans with recourse	23,026,670	16,209,558
Mortgage loans without recourse	78,347,951	38,566,076
Accrued interest	840,990	571,228
Gross loans to customers	**102,215,611**	**55,346,862**
Impairment allowance	(3,333,347)	(3,874,770)
Net loans to customers	**98,882,264**	**51,472,092**

11 Loans to customers, continued

During the year ended 31 December 2013 the Group acquired mortgage loan portfolios from three commercial banks. The loans were recorded at their fair value totalling KZT 54,444,968 thousand.

(a) Credit quality of mortgage loans

The following table provides information on the credit quality of mortgage loans as at 31 December 2013:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Mortgage loans with recourse to the seller				
- not overdue	20,575,250	-	20,575,250	-
- overdue less than 30 days	1,000,235	-	1,000,235	-
- overdue 30-89 days	576,896	-	576,896	-
- overdue 90-179 days	1,378,151	-	1,378,151	-
Total mortgage loans with recourse to the seller	**23,530,532**	**-**	**23,530,532**	**-**
Mortgage loans without recourse to the seller				
- not overdue	73,469,676	(53,332)	73,416,344	0.07
- overdue less than 30 days	436,950	(10,341)	426,609	2.37
- overdue 30-89 days	350,515	(67,899)	282,616	19.37
- overdue 90-179 days	386,935	(207,303)	179,632	53.58
- overdue 180-360 days	306,596	(216,208)	90,388	70.52
- overdue more than 360 days	3,734,407	(2,778,264)	956,143	74.40
Total mortgage loans without recourse to the seller	**78,685,079**	**(3,333,347)**	**75,351,732**	**4.24**
Total loans to customers	**102,215,611**	**(3,333,347)**	**98,882,264**	**3.26**

The following table provides information on the credit quality of mortgage loans as at 31 December 2012:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Mortgage loans with recourse to the seller				
- not overdue	16,092,730	-	16,092,730	-
- overdue less than 30 days	129,641	-	129,641	-
- overdue 30-89 days	77,729	-	77,729	-
- overdue 90-179 days	7,970	-	7,970	-
Total mortgage loans with recourse to the seller	**16,308,070**	**-**	**16,308,070**	**-**
Mortgage loans without recourse to the seller				
- not overdue	32,410,963	(71,590)	32,339,373	0.22
- overdue less than 30 days	937,102	(76,151)	860,951	8.13
- overdue 30-89 days	452,513	(120,090)	332,423	26.54
- overdue 90-179 days	232,097	(133,082)	99,015	57.34
- overdue more than 180 days	5,006,117	(3,473,857)	1,532,260	69.39
Total mortgage loans without recourse to the seller	**39,038,792**	**(3,874,770)**	**35,164,022**	**9.93**
Total loans to customers	**55,346,862**	**(3,874,770)**	**51,472,092**	**7.00**

11 Loans to customers, continued

(b) Key assumptions and judgements for estimating loan impairment

As described in Note 2, the Group uses its experience and judgment to estimate the amount of impairment loss for loans to customers.

The significant assumptions used in determining the impairment losses for mortgage loans include:

- mortgage loans with recourse overdue more than 60 days can be sold back by the Group at any time at their gross amount. Management believes that recourse counterparties are institutions of good reputation, with good credit standing.
- other mortgage loans are subject to collective impairment assessment based on their past loss experience
- loss migration rates are constant and can be estimated based on the historical loss migration pattern for the past 12 months
- a delay of two years in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 65 to 80 per cent to the originally appraised value if the property pledged is sold through court procedures (2012: 65% to 80%).

Movements in the loan impairment allowance for the year ended 31 December 2013 are as follows:

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	3,874,770	4,216,880
Net charge (recovery)	80,542	(229,507)
Write-offs	(621,965)	(112,603)
Balance at the end of the year	**3,333,347**	**3,874,770**

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of estimated cash flows differs by plus/minus three percent, the impairment allowance on loans to customers as at 31 December 2013 would be KZT 2,966,468 thousand lower/higher (2012: KZT 1,544,163 thousand).

(c) Analysis of collateral

Mortgage loans are secured by the underlying housing real estate.

For loans with recourse to the seller, the commercial banks-partners are responsible for the monitoring of collateral on a periodic basis according to requirements of the FMSC. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers and commercial banks-partners rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

The following tables provide information on real estate collateral securing mortgage loans, net of impairment:

31 December 2013 **KZT'000**	**Loans to customers, carrying amount**	**Fair value of collateral – for collateral assessed as of reporting date**	**Fair value of collateral – for collateral assessed as of loan inception date**
Not overdue loans	93,991,594	56,628,527	33,031,729
Overdue loans	4,890,670	3,893,117	777,454
	98,882,264	**60,521,644**	**33,809,183**

11 Loans to customers, continued

(c) Analysis of collateral, continued

31 December 2012 KZT'000	Loans to customers, carrying amount	Fair value of collateral – for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date
Not overdue loans	48,432,103	4,776,449	43,655,654
Overdue loans	3,039,989	246,028	2,793,961
	51,472,092	**5,022,477**	**46,449,615**

The table above excludes overcollateralisation.

The Group updates the appraised values of collateral obtained at inception of the loans to the current values considering the approximate changes in property values. The Group may also obtain specific individual valuation of collateral at each reporting date where there are indications of impairment.

Repossessed property

The Group obtains certain assets by taking possession of collateral for loans to retail customers. As at 31 December 2013, the carrying amount of such assets was KZT 1,433,594 thousand (2012: KZT 2,082,258 thousand), which consisted investment property of KZT 1,069,116 thousand (2012: KZT 663,719 thousand) and other assets of KZT 364,478 thousand (2012: 80,610 thousand). There were no assets held for sale in this respect as at 31 December 2013 (2012: KZT 1,337,929 thousand).

The Group's policy is to sell these assets as soon as it is practicable, except for investment property.

(d) Asset securitisation

Loans to customers with the amount of principal of KZT 46,282,135 thousand (2012: KZT 52,259,082 thousand) serve as collateral for debt securities issued by the Group. As at 31 December 2013, the carrying amount of these debt securities is KZT 37,969,754 thousand (31 December 2012: KZT 43,030,512 thousand). Refer to Note 17.

(e) Significant credit exposures

As at 31 December 2013 the Group has four banks (2012: three) to whom the Group has recourse in respect of its purchased loans, whose loan exposures exceed 10% of equity. The gross value of these loans as at 31 December 2013 is KZT 20,470,546 thousand (2012: KZT 8,122,284 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 22(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

12 Held-to-maturity investments

	2013 KZT'000	Restated 2012 KZT'000	Restated 2011 KZT'000
Treasury bills of the Ministry of Finance of Republic of Kazakhstan	2,047,326	2,081,120	2,113,823
Corporate bonds rated A to A-	1,942,271	1,799,409	1,678,778
Corporate bonds rated from BB- to BB+	343,589	3,822,517	575,818
Corporate bonds rated from B+ to B-	5,253,839	1,880,978	6,150,198
Corporate bonds not rated	1,804,249	2,207,039	2,212,198
	11,391,274	**11,791,063**	**12,730,815**
Impairment allowance	(968,478)	(969,807)	(1,063,900)
	10,422,796	**10,821,256**	**11,666,915**

As at 31 December 2013 the Group holds bonds of one issuer, Astana Finance JSC ("Astana Finance"), who is in the restructuring process, and another issuer, Kazakhstan Kagazy JSC ("Kazakhstan Kagazy"), who is still in early stage of implementation of a restructuring program which incepted in 2012, with a gross value of KZT 524,167 thousand and KZT 789,866 thousand, respectively.

As at 31 December 2013 the Group has an 82% or KZT 431,310 thousand (2012: 82% or KZT 432,639 thousand) impairment allowance on Astana-Finance bonds based on the restructuring plan of the issuer.

As at 31 December 2013 the Group has a 68% or KZT 537,168 thousand (2012: 67% or KZT 537,168 thousand) impairment allowance on Kazakhstan Kagazy bonds following the announcement of the amended payment schedule on its new debts issued according to restructuring terms and based on the analysis of the financial position of the issuer.

Analysis of movements in the impairment allowance

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	969,807	1,063,900
Net recovery	(1,329)	(94,093)
Balance at the end of the year	**968,478**	**969,807**

13 Property and equipment

KZT'000	Land
Cost	
At 1 January 2013	121,958
Additions	500
Disposals	-
Transfer to investment property	(121,958)
At 31 December 2013	**500**
Depreciation	
At 1 January 2013	-
Depreciation charge	-
Disposals	-
Transfer to investment property	-
At 31 December 2013	-
Carrying value	
At 1 January 2013, restated	121,958
At 31 December 2013	**500**
Cost	
At 1 January 2012	121,958
Additions	-
Transfers	-
At 31 December 2012	**121,958**
Depreciation and impairment losses	
At 1 January 2012	-
Depreciation charge	-
Impairment losses, restated	-
Disposals	-
At 31 December 2012, restated	-
Carrying amount	
At 1 January 2012	121,958
At 31 December 2012, restated	**121,958**

Building	Computer equipment	Vehicles	Other	Total
2,296,499	388,443	18,014	244,255	3,069,169
7,275	27,779	6,256	17,703	59,513
-	(180)	(3,482)	(815)	(4,477)
(553,226)	-	-	-	(675,184)
1,750,548	**416,042**	**20,788**	**261,143**	**2,449,021**
476,921	368,084	4,742	203,274	1,053,021
43,691	15,943	2,746	14,688	77,068
-	(150)	(705)	(738)	(1,593)
(325,473)	-	-	-	(325,473)
195,139	**383,877**	**6,783**	**217,224**	**803,023**
1,819,578	20,359	13,272	40,981	2,016,148
1,555,409	**32,165**	**14,005**	**43,919**	**1,645,998**
2,296,499	378,014	6,706	226,802	3,029,979
-	10,429	11,308	19,136	40,873
-	-	-	(1,683)	(1,683)
2,296,499	**388,443**	**18,014**	**244,255**	**3,069,169**
178,211	355,075	3,771	179,129	716,186
53,974	13,009	971	25,715	93,669
244,736	-	-	-	244,736
-	-	-	(1,570)	(1,570)
476,921	**368,084**	**4,742**	**203,274**	**1,053,021**
2,118,288	22,939	2,935	47,673	2,313,793
1,819,578	**20,359**	**13,272**	**40,981**	**2,016,148**

14 Investment property

	2013 KZT'000	2012 KZT'000
Balance at 1 January	663,719	605,082
Foreclosure of collateral	458,518	103,257
Transfer from property and equipment	349,711	-
Revaluation	(9,419)	-
Disposals	(43,702)	(44,620)
Balance at 31 December	**1,418,827**	**663,719**

Investment property is represented by collateral on loans to customers that the Group obtained control of as a result of normal operating activity. Repossessed collateral is mainly in the form of real estate and is located in Kazakhstan. The Group leases premises to third parties under operating lease agreements.

The total amount of rental income recognised in profit or loss is KZT 52,400 thousand (2012: KZT 27,443 thousand); no direct operating expenses arise, except for property tax expense, as in accordance with the rental agreements all maintenance costs are borne by tenants.

Fair value determination

The Group commissioned an independent appraiser to perform a valuation of investment property as at 31 December 2012. In 2013 the Group performed internal valuation of the investment property.

The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. The fair values of investment properties are categorised into Level 2 of the fair value hierarchy.

15 Assets held for sale

	2013 KZT'000	2012 KZT'000
Assets held for sale	-	1,337,929

Assets held for sale represent collateral that the Group has taken over as a new owner as the result of a borrower's inability to pay out his debt (Note 11). It consists of property that the Group sold in April 2013 to an individual with payment terms deferred for 1 year.

16 Other assets

	2013 KZT'000	2012 KZT'000
Receivable from sale of assets held for sale (Note 15)	1,168,780	-
Receivables on loan acquisition transactions	651,106	-
Other receivables	48,000	-
Financial instruments at fair value through profit or loss	-	7
Total other financial assets	**1,867,886**	**7**
Construction in progress	1,442,518	-
Foreclosed property	364,478	80,610
Other prepayments	20,596	15,447
Inventory	16,348	15,340
Intangible assets	3,424	2,182
Prepayments for insurance of mortgage loans to KFGML	-	108,731
Other	43,072	34,998
Impairment allowance	(6,137)	(6,095)
Total other non-financial assets	**1,884,299**	**251,213**
Total other assets	**3,752,185**	**251,220**

Receivable from sale of assets held for sale has been recognised at amortised cost in the consolidated statement of financial position, reflecting fair value of the receivable at origination in 2013. Fair value was assessed using an estimated market rate of interest of 12% p.a. The resulting discount of KZT 124,276 thousand arising at initial recognition was recognised as interest expense in the consolidated income statement.

Construction in progress represents capitalised costs incurred by the Group during construction of residential real estate in different regions of Kazakhstan under realisation of the government programme "Affordable housing - 2020" under the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012. The Group will lease out the constructed real estate under finance lease terms approved in this programme.

Foreclosed property comprises real estate collateral accepted by the Group in exchange for its rights and obligations under impaired mortgage loans. The Group has not yet determined future use of this property, whether it is going to be sold or rented out.

Analysis of movements in the impairment allowance

	2013 KZT'000	2012 KZT'000
Balance at the beginning of the year	6,095	31,827
Net recovery for the year	(6,338)	(26,751)
Recoveries of previous write-offs	6,380	1,019
Balance at the end of the year	**6,137**	**6,095**

17 Debt securities issued

Debt securities issued as at 31 December 2013 comprised KZT and USD denominated bonds (2012: KZT denominated bonds).

Emission	Maturity date	Coupon rate	Effective rate	2013 KZT'000	2012 KZT'000
KZ2C0Y05E529	26.07.2018	6%	6.00%	22,286,912	-
KZP02Y09C495	10.06.2016	0.7%+floating inflation index (limited to 12.0%)	13.15%	8,546,538	8,110,113
KZ2C0Y08D913	23.12.2018	1.00%+NBRK refinancing rate (limited to maximum 10%, minimum 6%)	12.57%	7,732,522	7,439,146
KZP05Y06C494	10.06.2015	3.7%+floating rate (limited to 11%)	17.70%	7,177,013	6,703,718
KZ2C0Y07E517	26.07.2020	8.50%	8.50%	6,225,653	-
KZPC1Y10B543	10.04.2015	6.90%	7.23%	5,056,579	5,041,345
KZ2C0Y10B319	01.10.2014	0.1%+floating inflation	6.35%	5,029,547	4,976,362
KZ2C0Y05E503	26.07.2018	8%	8.00%	5,028,854	-
KZPC2Y12B547	10.04.2017	0.01%+floating inflation index (limited to 7.5%)	5.35%	4,667,571	5,072,664
KZPC4Y10B547	15.01.2017	0.01%+floating inflation index (limited to 7.5%)	12.13%	4,367,471	4,153,079
KZ2C0Y10A980	01.04.2012-2014	1.00%+floating inflation index	6.55%	1,966,167	2,175,309
KZ2C0Y10B079	01.04.2012-2014	0.50%+floating inflation index	5.89%	1,965,763	2,182,485
KZ2C0Y08E218	02.04.2020	7.00%	6.99%	7,121	7,120
KZP04Y04C492	15.07.2013	4%+floating inflation index (limited to 11%)	18.27%	-	4,974,929
KZ2C0Y10A857	01.10.2012-2013	0.80%+floating inflation index	5.80%	-	304,355
				80,057,711	**51,140,625**

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 11) with a principal amount of KZT 46,282,135 thousand (2012: KZT 52,259,082 thousand).

The floating inflation rate is based on the inflation index for the prior 12 months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.

18 Subordinated debt securities issued

Emission	Maturity date	Coupon rate	Effective rate	2013 KZT'000	2012 KZT'000
KZ2C0Y05E206	02.04.2017	8.00%	9.99%	9,666,887	4,473,652
				9,666,887	**4,473,652**

As at 31 December 2012 subordinated debt securities issued comprise unsecured obligations of the Group. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Group.

Subordinated bonds bear a fixed coupon rate.

19 Other borrowed funds

	2013 KZT'000	Restated 2012 KZT'000
Loans from banks of the Republic of Kazakhstan	25,407,300	14,306,514
Due to the Government of the Republic of Kazakhstan	3,143,420	2,918,936
Loan from foreign financial institutions	-	13,476,197
	28,550,720	**30,701,647**

As at 31 December 2013 the Group has loans from Halyk Saving Bank of Kazakhstan JSC and SB Sberbank JSC in the amount of KZT 14,300,000 thousand and KZT 10,900,000 thousand, respectively, which bear an interest of 8.2% and 9% p.a. and mature in 2017 and 2016 years, respectively.

Amounts due to the Government of the Republic of Kazakhstan consists of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second tier banks. The loan carries a nominal interest rate of 0.1% per annum with principal repayable at maturity in December 2027. The fair value of the loan at initial recognition was estimated by discounting the contractual future cash flows of the loan using management's estimate of a long term market borrowing rate for the Company of 8% p.a.

In December 2007 the Group received a USD denominated loan from Credit Suisse International in the amount of USD 85 million at an interest rate of 7.4% per annum. In February 2008 the Group received an additional USD 15 million under the same loan agreement. In accordance with an amendment signed on 21 July 2008 the above USD denominated loan was redenominated from USD to JPY currency at an initial exchange rate of JPY: USD 107.15:1 with a corresponding change in interest rate from 7.4% to 6.4% p.a. Interest expenses are calculated on the loan principal amount of JPY 10,715,000 thousand and are payable in USD at the current exchange rate between JPY and USD. The amendment specifies a Knockout exchange rate of JPY: USD 84.95:1. Loan repayments should be made in USD applying the initial exchange rate of JPY: USD 107.15:1 to the JPY repayment amounts if the exchange rate remains above the Knockout rate for the duration of the tenor of the loan. If the exchange rate falls below the Knockout rate at any point during the life of the loan, then loan repayments should be made in USD applying the current JPY: USD exchange rate to the JPY repayment amounts.

According to the amendment signed on 15 December 2009 the interest rate increased from 6.4% to 7.7% p.a. and the knockout exchange rate of JPY: USD changed to 79.75:1.

According to the amendment signed on 21 October 2010 the interest rate increased from 7.7% to 8.3% per annum and the Knockout exchange rate of JPY: USD changed to 69.75:1. The principal is to be paid by 9 equal semi-annual instalments, starting from 21 December 2012.

19 Other borrowed funds, continued

In accordance with the latest amendment signed on 7 June 2012 the interest rate applicable for the period of December 2011 – December 2012 was decreased from 8.3% to 6.3% p.a. remaining 8.3% p.a. for the subsequent period.

On 10 December 2012 Credit Suisse International notified the Group of the transfer of its rights under this loan to Atonline Limited. On 10 January 2013 the Group made a payment of USD 108,889 thousand to fully repay the loan to Atonline Limited.

Embedded derivative

The Group separated and recorded at fair value a foreign currency derivative embedded in the loan from Credit Suisse International as described above. The estimated amount of the embedded derivative, which is included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position as at 31 December 2012 is KZT 2,951,358 thousand (31 December 2011: KZT 2,897,804 thousand).

The Group does not present sensitivity analysis of the assumptions used in the model as the embedded derivative feature was realised in January 2013 for an amount equal to its carrying amount at 31 December 2012.

20 Other liabilities

	2013 KZT'000	Restated 2012 KZT'000
Payable to ATF Bank JSC for mortgage loans acquired	3,884,901	-
Interest strip payable	1,639,765	-
Prepaid loans	242,405	88,464
Loan portfolios servicing fee payable	27,281	-
Professional services	8,954	9,027
Total other financial liabilities	**5,803,306**	**97,491**
Payables to employees	90,951	913
Withholding tax from non-residents	-	746,097
Other taxes payable	-	22,632
Other non-financial liabilities	111,990	30,332
Total other non-financial liabilities	**202,941**	**799,974**
Total other liabilities	**6,006,247**	**897,465**

The amount payable to ATF Bank JSC represents a final instalment payable for certain acquired mortgage loans (Note 11) which is due upon transfer of loan documentation. Management expects the transfer to be finalised in April 2014.

Interest strip payable represents obligation to return to the original loan issuer a portion of interest receivable on mortgage loan portfolios acquired from two banks during 2013. The Group is obliged to pay 1.7% p.a. of the outstanding mortgage loan portfolio on a monthly basis. This balance does not meet criteria for offsetting and, thus, is recognised as a separate financial liability. The Group has other obligations to pay part of interest receivable to originating banks from which loans were acquired. These balances were offset in these consolidated financial statements (Note 22(d)).

As at 31 December 2012 the Group accrued a 20% withholding tax on the amount due to Credit Suisse International on early termination of the loan (Note 2(f)).

21 Share capital and reserves

(a) Issued capital and share premium

During the year ended 31 December 2013 the Company issued 1,500,000 ordinary shares at their nominal value of KZT 10 thousand.

As at 31 December 2013 and 2012 authorised share capital comprises 13,681,600 and 2,906,200 ordinary shares, respectively, and issued and outstanding share capital comprises 4,392,000 and 2,892,000 shares, respectively. All shares have a nominal value of KZT 10 thousand.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs or profit for the period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency. As at 31 December 2013 reserves available for distribution amounted to KZT 122,581 thousand (31 December 2012: nil).

During the year ended 31 December 2013 dividends of KZT 103,672 thousand or KZT 39 dividend per ordinary share relating to the previous year results of the Company were declared and paid (year ended 31 December 2012: nil).

(c) Treasury shares

As at 31 December 2013 the Group held 250,000 of its own shares (31 December 2012: 249,990).

(d) Reserve capital

The Group has established a reserve capital in accordance with a decision of shareholders. At 31 December 2013 the reserve capital amounted to KZT 2,734,447 thousand (31 December 2012: KZT 2,630,820 thousand). This reserve capital is available for distribution.

During the year ended 31 December 2013 the shareholders made a transfer of KZT 103,627 thousand from accumulated losses to this reserve capital (2012: nil).

(e) Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(f) Earnings per share

The calculation of earnings per share is based on the profit or loss for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

	2013	Restated 2012
Profit (loss) for the year, in thousand of KZT	167,696	(901,217)
Weighted average number of ordinary shares	3,314,220	2,642,010
Basic and diluted earnings per share, in KZT	**51**	**(341)**

(g) Book value per share

Under the listing rules of the Kazakh Stock Exchange the Group should present book value per share in its consolidated financial statements. The book value per share is calculated dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2013 the book value per share was KZT 7,194.98 (2012, restated: KZT 6,070.89).

22 Risk management

Management of risk is fundamental to the lending business and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, which includes interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, 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 Management Board 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.

The Management Board of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Department of the Group 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. She reports directly to the Deputy Chairman of the Management Board.

The Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their 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 optimising the return on risk.

Overall authority for market risk is vested in the Risk Management Committee.

The Group 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 Group 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.

22 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 interest-bearing 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 2013							
ASSETS							
Cash and cash equivalents	7,839,305	-	-	-	-	707,032	8,546,337
Placements with banks and other financial institutions	1,056,657	-	12,424,500	4,100,000	-	-	17,581,157
Available-for-sale financial assets	2,584,315	646,662	396,915	3,957,291	1,407,777	-	8,992,960
Loans to customers	2,361,168	1,622,167	12,760,915	24,932,292	57,205,722	-	98,882,264
Held-to-maturity investments	38,815	2,096,577	2,323,773	3,716,421	2,247,210	-	10,422,796
Other financial assets	-	-	-	-	-	1,867,886	1,867,886
Total assets	**13,880,260**	**4,365,406**	**27,906,103**	**36,706,004**	**60,860,709**	**2,574,918**	**146,293,400**
LIABILITIES							
Debt securities issued	5,116,765	37,162,868	-	31,652,128	6,125,950	-	80,057,711
Subordinated debt securities issued	-	197,778	-	9,469,109	-	-	9,666,887
Other borrowed funds	-	234,350	125	25,172,950	3,143,295	-	28,550,720
Other financial liabilities	-	-	-	-	-	5,803,306	5,803,306
Total liabilities	**5,116,765**	**37,594,996**	**125**	**66,294,187**	**9,269,245**	**5,803,306**	**124,078,624**
Net position	**8,763,495**	**(33,229,590)**	**27,905,978**	**(29,588,183)**	**51,591,464**	**(3,228,388)**	**22,214,776**

22 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
31 December 2012		
ASSETS		
Cash and cash equivalents	13,504,033	-
Placements with banks and other financial institutions	3,074,693	2,500,000
Available-for-sale financial assets	2,646,118	663,687
Loans to customers	12,148,674	459,489
Held-to-maturity investments	108,012	2,261,551
Other financial assets	-	-
Total assets	**31,481,530**	**5,884,727**
LIABILITIES		
Debt securities issued	9,128,008	37,041,897
Subordinated debt securities issued	-	97,915
Other borrowed funds	6,514	84,060
Financial liability at fair value through profit or loss	-	-
Other financial liabilities	-	-
Total liabilities	**9,134,522**	**37,223,872**
Net position	**22,347,008**	**(31,339,145)**

6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
-	-	-	322,642	13,826,675
6,939,750	6,770	-	-	12,521,213
1,599,619	1,975,281	3,357,493	-	10,242,198
950,661	8,856,886	29,056,382	-	51,472,092
2,380,976	3,486,275	2,584,442	-	10,821,256
7	-	-	-	7
11,871,013	**14,325,212**	**34,998,317**	**322,642**	**98,883,441**
-	4,963,720	7,000	-	51,140,625
-	4,375,737	-	-	4,473,652
125	27,692,137	2,918,811	-	30,701,647
-	-	-	2,951,358	2,951,358
-	-	-	97,491	97,491
125	**37,031,594**	**2,925,811**	**3,048,849**	**89,364,773**
11,870,888	**(22,706,382)**	**32,072,506**	**(2,872,524)**	**9,372,351**

22 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2013 Average effective interest rate, %		2012 Average effective interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Cash and cash equivalents	7.79	-	4.01	-
Placement with banks and other financial institutions	7.63	-	7.00	-
Financial instruments at fair value through profit or loss	-	-	5.20	-
Available-for-sale financial assets	7.96	-	9.47	-
Loans to customers	11.21	13.77	9.60	-
Held-to-maturity investments, restated	6.54	6.07	7.12	6.07
Interest bearing liabilities				
Debt securities issued	9.45	-	11.43	-
Subordinated debt securities issued	9.99	-	11.98	-
Other borrowed funds	8.49	-	8.12	8.30

The Group 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.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rates 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 rate (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 2013 and 2012 is as follows:

	2013 KZT'000		2012 KZT'000	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	(48,992)	(48,992)	23,475	23,475
100 bp parallel fall	48,992	48,992	(23,475)	(23,475)

22 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rates sensitivity analysis, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2013 KZT'000		2012 KZT'000	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	-	(404,707)	-	(467,213)
100 bp parallel fall	-	439,179	-	508,701

(c) Currency risk

The Group 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 market interest rates. The Group 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 2013:

KZT'000	USD	JPY	Total
Assets			
Cash and cash equivalents	151,695	-	151,695
Placement with banks and other financial institutions	2,304,150	-	2,304,150
Loans to customers	19,609,311	-	19,609,311
Held-to-maturity investments	1,942,271	-	1,942,271
Other assets	188,723	-	188,723
Total financial assets	**24,196,150**	-	**24,196,150**
Liabilities			
Debt securities issued	22,286,912	-	22,286,912
Other liabilities	2,208,013	-	2,208,013
Total financial liabilities	**24,494,925**	**-**	**24,494,925**
Net on and off balance sheet position as at 31 December 2013	**(298,775)**	**-**	**(298,775)**
Net on and off balance sheet position as at 31 December 2012, restated	1,801,396	(16,427,557)	(14,626,161)

22 Risk management, continued

(c) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2012:

KZT'000	USD	JPY	Total
Restated			
Assets			
Held-to-maturity investments	1,799,410	-	1,799,410
Other assets	1,986	-	1,986
Total financial assets	**1,801,396**	**-**	**1,801,396**
Liabilities			
Other borrowed funds	-	13,476,197	13,476,197
Financial liability at fair value through profit or loss	-	2,951,360	2,951,360
Total financial liabilities	**-**	**16,427,557**	**16,427,557**
Net on and off balance sheet position as at 31 December 2012	**1,801,396**	**(16,427,557)**	**(14,626,161)**
Net on and off balance sheet position as at 31 December 2011, restated	1,678,778	(17,705,085)	(16,026,307)

A change in the value of the KZT, as indicated below, against the following currencies at 31 December 2013 and 2012 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 Group 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.

	2013 KZT'000		**Restated 2012 KZT'000**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT (2012: 5% appreciation)	(47,804)	(47,804)	72,056	72,056
5% depreciation of USD against KZT	11,951	11,951	(72,056)	(72,056)
5% appreciation of JPY against KZT	-	-	(657,102)	(657,102)
5% depreciation of JPY against KZT	-	-	657,102	657,102

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group 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 Group's credit policy establishes:

- procedures for review and approval of loan/credit applications
- methodology for the credit assessment of borrowers

22 Risk management, continued

(d) Credit risk, continued

- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- minimum financial and collateral requirements for loan approvals
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

The main task of credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

Susceptibility to credit risk is controlled by obtaining high quality collateral, the receipt of a guarantees and obtaining recourse to the seller of the loans.

The Group's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated 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:

	2013 KZT'000	Restated 2012 KZT'000	Restated 2011 KZT'000
ASSETS			
Cash and cash equivalents	8,546,337	13,826,675	3,453,838
Placements with banks and other financial institutions	17,581,157	12,521,213	10,574,941
Available-for-sale financial assets	8,992,960	10,242,198	8,587,968
Loans to customers	98,882,264	51,472,092	55,535,523
Held-to-maturity investments	10,422,796	10,821,256	11,666,915
Other financial assets	1,867,886	7	7
Total maximum exposure to on balance sheet credit risk	**146,293,400**	**98,883,441**	**89,819,192**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 11.

As at 31 December 2013 the Group has no debtors or groups of connected debtors (2012: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

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

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

22 Risk management, continued

(d) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

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

KZT'000 Types of financial assets/ liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position
Loans to customers	30,037,389	(2,487,536)	27,549,853
Total financial assets	**30,037,389**	**(2,487,536)**	**27,549,853**
Interest strip payable	(2,487,536)	2,487,536	-
Total financial liabilities	**(2,487,536)**	**2,487,536**	**-**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2012:

KZT'000 Types of financial assets/ liabilities	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position
Loans to customers	38,204,717	(2,883,163)	35,321,554
Total financial assets	**38,204,717**	**(2,883,163)**	**35,321,554**
Interest strip payable	(2,883,163)	2,883,163	-
Total financial liabilities	**(2,883,163)**	**2,883,163**	**-**

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

- loans to customers – amortised cost
- interest strip payable – amortised cost.

The amounts in the above tables that are offset in the consolidated statement of financial position are measured on the same basis.

22 Risk management, continued

(d) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2013.

KZT'000

Types of financial assets/liabilities	Net amounts	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
Loans to customers	27,549,853	Loans to customers	98,882,264	71,332,411	11
Interest strip payable	-	Other liabilities	(6,006,247)	(6,006,247)	20

The table below reconciles the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2012.

KZT'000

Types of financial assets/liabilities	Net amounts	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
Loans to customers	35,321,554	Loans to customers	51,472,092	16,150,538	11
Interest strip payable	-	Other liabilities	(897,465)	(897,465)	20

(e) Liquidity risk

Liquidity risk is the risk that the Group 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 Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Group's liquidity policy is reviewed and approved by the Management Board.

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

The liquidity management policy of the Group 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

22 Risk management, continued

(e) Liquidity risk, continued

- 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 the Group's financial liabilities on the basis of their earliest possible contractual maturity. The total gross amount outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The Group's expected cash flows on these financial liabilities may vary significantly from this analysis.

The liquidity position of the Group as at 31 December 2013 was 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	From 1 to 5 years	More than 5 years	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities								
Debt securities issued	1,256,602	-	5,359,004	7,622,269	83,935,907	6,633,340	104,807,122	80,057,711
Subordinated debt securities issued	-	-	400,000	400,000	12,000,000	-	12,800,000	9,666,887
Other borrowed funds	245,250	286,636	544,914	1,082,563	29,166,392	9,091,980	40,417,735	28,550,720
Other financial liabilities	272,643	47,925	3,944,722	119,331	1,127,591	1,373,076	6,885,288	5,803,306
Total	**1,774,495**	**334,561**	**10,248,640**	**9,224,163**	**126,229,890**	**17,098,396**	**164,910,145**	**124,078,624**

The position of the Group as at 31 December 2012 was 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	From 1 to 5 years	More than 5 years	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities								
Debt securities issued	345,250	-	2,000,422	7,027,568	45,952,618	8,082,927	63,408,785	51,140,625
Subordinated debt securities issued	-	-	200,280	200,280	5,875,612	-	6,276,172	4,473,652
Other borrowed funds	-	293,150	2,656,043	2,871,587	30,864,948	9,101,000	45,786,728	30,701,647
Other financial liabilities	89,017	8,474	-	-	-	-	97,491	97,491
Derivative liabilities								
Net settled derivatives	-	-	-	-	2,951,358	-	2,951,358	2,951,358
Total	**434,267**	**301,624**	**4,856,745**	**10,099,435**	**85,644,536**	**17,183,927**	**118,520,534**	**89,364,773**

22 Risk management, continued

(e) Liquidity risk, continued

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

Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	8,546,337	-	-	-	-	-	8,546,337
Placements with banks and other financial institutions	51,657	1,005,000	12,424,500	4,100,000	-	-	17,581,157
Available-for-sale financial assets	184,870	31,097	57,695	5,062,249	3,657,049	-	8,992,960
Loans to customers	1,185,283	1,166,757	5,117,850	28,018,000	63,394,374	-	98,882,264
Held-to-maturity investments	28,493	10,322	773,269	7,363,502	2,247,210	-	10,422,796
Current tax asset	-	-	-	-	-	810,316	810,316
Property and equipment	-	-	-	-	-	1,645,998	1,645,998
Investment property	-	-	-	-	-	1,418,827	1,418,827
Deferred tax asset	-	-	-	-	-	2,033,764	2,033,764
Other assets	434,074	40,918	1,451,015	-	-	1,826,178	3,752,185
Total assets	**10,430,714**	**2,254,094**	**19,824,329**	**44,543,751**	**69,298,633**	**7,735,083**	**154,086,604**
Liabilities							
Debt securities issued	885,553	-	9,180,358	63,865,850	6,125,950	-	80,057,711
Subordinated debt securities issued	-	197,778	-	9,469,109	-	-	9,666,887
Other borrowed funds	-	-	234,475	25,172,950	3,143,295	-	28,550,720
Other liabilities	343,128	4,047,354	75,333	463,955	1,076,477	-	6,006,247
Total liabilities	**1,228,681**	**4,245,132**	**9,490,166**	**98,971,864**	**10,345,722**	**-**	**124,281,565**
Net position as at 31 December 2013	**9,202,033**	**(1,991,038)**	**10,334,163**	**(54,428,113)**	**58,952,911**	**7,735,083**	**29,805,039**
Net position as at 31 December 2012, restated	14,144,537	2,507,883	9,040,825	(52,360,831)	39,961,155	2,747,961	16,041,530

22 Risk management, continued

(e) Liquidity risk, continued

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2012:

Restated Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	13,826,675	-	-	-	-	-	13,826,675
Placements with banks and other financial institutions	1,017,332	2,057,361	9,439,750	6,770	-	-	12,521,213
Available-for-sale financial assets	139,311	26,590	1,306,185	3,062,887	5,707,225	-	10,242,198
Loans to customers	209,829	425,630	1,991,502	12,251,741	36,593,390	-	51,472,092
Held-to-maturity investments	104,337	3,675	524,705	5,235,920	4,952,619	-	10,821,256
Current tax asset	-	-	-	-	628,864	-	628,864
Property and equipment	-	-	-	-	-	2,016,148	2,016,148
Investment property	-	-	-	-	-	663,719	663,719
Deferred tax asset	-	-	-	-	2,424,963	-	2,424,963
Assets held for sale	-	-	1,337,929	-	-	-	1,337,929
Other assets	53,663	10,394	51,275	63,188	4,606	68,094	251,220
Total assets	**15,351,147**	**2,523,650**	**14,651,346**	**20,620,506**	**50,311,667**	**2,747,961**	**106,206,277**
Liabilities							
Debt securities issued	318,398	-	5,428,421	37,962,104	7,431,702	-	51,140,625
Subordinated debt securities issued	-	-	97,915	4,375,737	-	-	4,473,652
Other borrowed funds	-	6,514	84,185	27,692,138	2,918,810	-	30,701,647
Financial liability at fair value through profit or loss	-	-	-	2,951,358	-	-	2,951,358
Other liabilities	888,212	9,253	-	-	-	-	897,465
Total liabilities, restated	**1,206,610**	**15,767**	**5,610,521**	**72,981,337**	**10,350,512**	**-**	**90,164,747**
Net position as at 31 December 2012	**14,144,537**	**2,507,883**	**9,040,825**	**(52,360,831)**	**39,961,155**	**2,747,961**	**16,041,530**
Net position as at 31 December 2011, restated	6,032,475	3,928,344	158,978	(28,043,071)	32,368,291	3,036,590	17,481,607

23 Capital management

The Decree of the NBRK #254 of 25 July 2003 establishes the Company's status as a financial agency, for which the NBRK determines statutory capital ratios.

The Company defines as capital the following items defined by statutory regulation as capital for mortgage companies:

Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' statutory retained earnings/accumulated losses and reserves created thereof and preference shares (within 15% of ordinary share capital) less intangible assets and current year statutory losses;

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's statutory income, revaluation reserves, preference shares (in excess of 15% of ordinary share capital), qualifying subordinated liabilities and collective impairment allowance in the amount not exceeding 1.25% of credit risk-weighted assets.

Total capital, which is the sum of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital) less investments into equity or subordinated debt.

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

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

- a ratio of tier 1 capital to total statutory assets (k1);
- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1-3).

	2013 KZT'000	Restated 2012 KZT'000	Restated 2011 KZT'000
Tier 1 capital			
Share capital	41,335,139	26,335,239	26,335,239
General reserves	2,734,447	2,630,820	2,630,820
Additional paid-in capital	5,822,856	6,998,161	6,998,161
Intangible assets	-	(390)	(4,156)
Statutory accumulated losses	(20,355,957)	(19,526,211)	(18,681,376)
Total tier 1 capital	**29,536,485**	**16,437,619**	**17,278,688**
Tier 2 capital			
Reserves on revaluation of available-for-sale financial assets	(465,207)	(340,097)	198,763
Subordinated debt securities issued	7,575,287	2,440,773	-
Net profit for the year in accordance with the NBRK requirements	745,028	-	-
Total tier 2 capital	**7,855,108**	**2,100,676**	**198,763**
Investments in subsidiaries	554,291	554,291	-
Total capital	**36,837,302**	**17,984,004**	**17,477,451**
Total statutory assets	154,126,414	105,635,461	92,187,755
Credit risk weighted assets and contingent liabilities	130,430,787	91,380,214	79,894,934
k1 ratio	19%	16%	19%
k1-2 ratio	**23%**	**18%**	**22%**
k1-3 ratio	**28%**	**20%**	**22%**

23 Capital management, continued

The Company did not re-submit to the regulator calculations of prior period capital adequacy ratios affected by restatements as such re-submission would not impact compliance.

As at 31 December 2013 and 2012 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

24 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 Group 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 Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

In the ordinary course of business, the Group 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 conditions of the results of future operations of the Group.

(c) Taxation contingencies

The taxation system in the Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which 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. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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 the financial position of the Group, if the authorities were successful in enforcing their interpretations, could be significant.

25 Related party transactions

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

Total remuneration included in personnel expenses is as follows (refer to Note 6):

	2013 KZT'000	2012 KZT'000
Members of the Board of Directors	15,425	9,388
Members of the Management Board	199,436	74,525
	214,861	**83,913**

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

The outstanding balances and average interest rates as at 31 December 2013 and 2012 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2013 KZT'000	Average interest rate, %	2012 KZT'000	Average interest rate, %
Consolidated statement of financial position				
Loans to customers	54,090	6.86	80,378	7.7
Other liabilities	50,985	-	-	-

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

	2013 KZT'000	2012 KZT'000
Profit or loss		
Interest income	3,680	4,497

(b) Transaction with other related parties

Other related parties include Baiterek and its subsidiaries (together the "Baiterek Group"), the Ministry of Finance of the Republic of Kazakhstan and other State organisations.

The amounts below are included in the statement of financial position, income statement and statement of comprehensive income for transactions with related parties as of 31 December 2013 and 2012:

	2013 KZT'000	2013 KZT'000	2012 KZT'000	2012 KZT'000
	Baiterek Group	**State organisations**	**Ministry of Finance**	**State organisations**
Consolidated Income Statement				
Interest income	31,572	406,403	132,023	241,637
Interest expense	(1,587,612)	(2,105,865)	(217,448)	(2,396,691)
Impairment recoveries	27,920	-	-	46,319
Net foreign exchange loss	(112,829)	-	-	-
Other income	-	-	-	931
General administrative expenses	(12,558)	(179,859)	(110,364)	(108,530)
Income tax benefit	-	784,106	2,448,484	-
Consolidated Statement of Comprehensive Income				
Consolidated Other Comprehensive Income				
Net change in fair value of available-for-sale financial assets	-	480,930	(138,784)	-

25 Related party transactions, continued

(b) Transaction with other related parties, continued

The balances with related parties as of 31 December 2013 include:

	Baiterek Group		State organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks	-	-	207,851	7.3
Available-for-sale financial assets	381,636	9.96	1,423,056	6.1
Held-to maturity investments	-	-	2,047,326	2.8
Deferred tax asset	-	-	2,033,764	-
Current tax asset	-	-	810,316	-
Other assets	48,000	-	10,392	-
Debt securities issued	30,075,308	9.5	18,494,274	9.5
Subordinated debt securities issued	-	-	97	10.0
Other borrowed funds	-	-	3,143,420	8.0
Other liabilities	-	-	9,651	-
Revaluation reserve for available-for-sale financial assets	-	-	(110,724)	-

The balances with related parties as of 31 December 2012 include:

	Restated Ministry of Finance		State organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks	-	-	3,919,493	7.0
Available-for-sale financial assets	1,380,457	2.9	357,501	6.4
Held-to maturity investments	2,081,120	3.5	-	-
Deferred tax asset	2,424,963	-	-	-
Current tax asset	628,864	-	-	-
Other assets	1,794	-	119,636	-
Debt securities issued	-	-	18,826,919	11.4
Subordinated debt securities issued	-	-	89	12.0
Other borrowed funds	2,918,936	8.0	-	-
Other liabilities	22,626	-	1,450	-
Revaluation reserve for available-for-sale financial assets	(270,604)	-	-	-

As at 31 December 2013, the Group has a right to sell the acquired loans to individuals overdue more than 60 days back to government owned banks under recourse agreements in the total amount of KZT 9,713,937 thousand (31 December 2012: KZT 6,876,151 thousand).

26 Financial assets and liabilities: fair values and accounting classification

(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 2013:

KZT'000	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	8,546,337	-	-	8,546,337	8,546,337
Placements with banks and other financial institutions	-	17,581,157	-	-	17,581,157	17,581,157
Available-for-sale financial assets	-	-	8,992,960	-	8,992,960	8,992,960
Loans customers	-	98,882,264	-	-	98,882,264	98,318,822
Held-to-maturity investments:						
Government bonds	2,047,326	-	-	-	2,047,326	1,951,564
Corporate bonds	8,375,470	-	-	-	8,375,470	7,850,173
Other financial assets	-	1,867,886	-	-	1,867,886	1,867,886
	10,422,796	**126,877,644**	**8,992,960**	**-**	**146,293,400**	**145,108,899**
Debt securities issued	-	-	-	80,057,711	80,057,711	81,823,976
Subordinated debt securities issued	-	-	-	9,666,887	9,666,887	9,858,280
Other borrowed funds	-	-	-	28,550,720	28,550,720	28,550,720
Other financial liabilities	-	-	-	5,803,306	5,803,306	5,803,306
	-	**-**	**-**	**124,078,624**	**124,078,624**	**126,036,282**

26 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2012:

Restated KZT'000	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	-	13,826,675	-	-	13,826,675	13,826,675
Placements with banks and other financial institutions	-	-	-	12,521,213	-	-	12,521,213	12,521,213
Available-for-sale financial assets	-	-	-	-	10,242,198	-	10,242,198	10,242,198
Loans customers	-	-	-	51,472,092	-	-	51,472,092	53,442,216
Held-to-maturity investments:	-	-	-	-	-	-	-	-
Government bonds	-	-	2,081,119	-	-	-	2,081,119	1,934,905
Corporate bonds	-	-	8,740,137	-	-	-	8,740,137	8,404,008
Other financial assets	7	-	-	-	-	-	7	7
	7	**-**	**10,821,256**	**77,819,980**	**10,242,198**	**-**	**98,883,441**	**100,371,222**
Debt securities issued	-	-	-	-	-	51,140,625	51,140,625	54,766,642
Subordinated debt securities issued	-	-	-	-	-	4,473,652	4,473,652	5,009,784
Other borrowed funds	-	-	-	-	-	30,701,647	30,701,647	30,701,647
Financial liability at fair value through profit or loss	-	2,951,358	-	-	-	-	2,951,358	2,951,358
Other financial liabilities	-	-	-	-	-	97,491	97,491	97,491
	-	**2,951,358**	**-**	**-**	**-**	**86,413,415**	**89,364,773**	**93,526,922**

26 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

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

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

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

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

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

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

(b) Fair value hierarchy

The Group 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 identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: 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.

26 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 2 KZT'000	Total KZT'000
Financial assets		
Available-for-sale financial assets	8,992,960	8,992,960
	8,992,960	**8,992,960**

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Financial assets			
Financial instruments at fair value through profit or loss	7	-	7
Available-for-sale financial assets	10,242,198	-	10,242,198
	10,242,205	-	**10,242,205**
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	2,951,358	2,951,358
	-	**2,951,358**	**2,951,358**

As at 31 December 2013 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The following table shows reconciliation for the year ended 31 December 2013 for fair value measurements in Level 3 of the fair value hierarchy. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	Level 3 **Financial instruments at fair value through profit or loss - derivative liabilities**
Balance at beginning of the year	2,951,358
Settlements	(2,951,358)
Balance at end of the year	-

26 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

The following table shows reconciliation for the year ended 31 December 2012 for fair value measurements in Level 3 of the fair value hierarchy. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	Level 3	
	Available for sale financial assets - debt instruments	Financial instruments at fair value through profit or loss - derivative liabilities
Balance at beginning of the year	306,478	2,897,804
Total gains or losses recognised in profit or loss:		
interest income	45,201	-
impairment recovery	46,319	-
net foreign exchange gain	-	(242,748)
net loss on financial instruments at fair value through profit or loss	-	296,302
Settlements	(36,120)	-
Transfers from Level 3 to Level 2	(361,878)	-
Balance at end of the year	**-**	**2,951,358**

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

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	8,546,337	-	8,546,337	8,546,337
Placements with banks and other financial institutions	17,581,157	-	17,581,157	17,581,157
Loans to customers	98,318,822	-	98,318,822	98,882,264
Held-to-maturity investments	9,456,182	345,555	9,801,737	10,422,796
Liabilities				
Debt securities issued	81,823,976	-	81,823,976	80,057,711
Subordinated debt securities issued	9,858,280	-	9,858,280	9,666,887
Other borrowed funds	28,550,720	-	28,550,720	28,550,720

26 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2012:

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	13,826,675	-	13,826,675	13,826,675
Placements with banks and other financial institutions	12,521,213	-	12,521,213	12,521,213
Loans to customers	53,442,216	-	53,442,216	51,472,092
Held-to-maturity investments	9,987,125	351,788	10,338,913	10,821,256
Liabilities				
Debt securities issued	54,766,642	-	54,766,642	51,140,625
Subordinated debt securities issued	5,009,784	-	5,009,784	4,473,652
Other borrowed funds	30,701,647	-	30,701,647	30,701,647

27 Segment reporting

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting.* The Group's assets are concentrated in the Republic of Kazakhstan, and the Group's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman of the Management Board, only receives and reviews the information on the Group as a whole.

28 Events after the reporting date

On 24 January 2014 the Group received an additional contribution to share capital of KZT 8,279,000 thousand in compliance with the government programme "Affordable Housing-2020" under the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012.

Devaluation of the KZT

On 11 February 2014, the NBRK announced that it would not maintain the tenge exchange rate at its previous level. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, down approximately 19% from the previous day's close of KZT 155.63 per USD. As the change in the tenge exchange rate occurred after the reporting date, these consolidated financial statements have not been adjusted for the rate change.

Management is still in the process of evaluating the effects of the devaluation on the Group. See Note 22(c) for details of the Group's exposure to foreign currency risk at the reporting date. Management's current assessment is that the devaluation will not affect the Group's ability to comply with its debt covenants or meet its existing contractual obligations.