«Kazakhstan deposit insurance fund» JSC
Financial statements and auditor's report
For the year ended 31 December 2014

MANAGEMENT'S CONFIRMATION ON RESPONSIBILITY FOR PREPARATION AND ADOPTION OF THE FINANCIAL STATEMENTS.

Management of the «Kazakhstan deposit insurance fund» JSC is responsible for preparation of the financial statements that authentically in all material aspects, the Company's financial position as at 31 December 2014, and financial results of it activity, and cash flow for the year then ended according to the International Reporting Financial Standards.

During preparation of financial statements of the «Kazakhstan deposit insurance fund» JSC, management is responsible for:

- Appropriate accounting principles selection and their consistent application;
- Application of justified estimates;
- Compliance with the IFRS requirements and disclosure all significant deviation from IFRS in the Notes to the financial statements;
- The Company's financial statements preparation assuming that the Representative can continue its activity in foreseeable future except for if such assumption is illegal.

The Company's Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal control;
- The maintenance of proper accounting records that allow prepare the Company's financial position with reasonable accuracy at any time, and to ensure that its financial statements comply with IFRS, as well as legislation of the Republic of Kazakhstan;
- Measures within its competence to soundness of assets of the Representative;
- Preventing and detecting fraud and other irregularities.

The accompanying financial statements for the year ended 31 December 2014 were approved by management dated 20 February 2015.

Chairman _________________________ **B.B.Kogulov.**

Chief Accountant _________________________ **E.M.Amirbekova.**

UHY SAPA Consulting

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I Approved _______________
General Director Nurgaziyev T.E.
(state license MФЮ-2 #0000069 from 5.10.2010)

Independent Auditor's report.

To Management of «Kazakhstan deposit insurance fund» JSC

We have audited the accompanying financial statements of «Kazakhstan deposit insurance fund» Joint – Stock Company (hereinafter - the Company) which comprise the statement of financial position as of 31 December 2014, statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion the financial statements represent authentically in all material aspects, financial position of the Company as at 31 December 2014, and results of its activity and cash flow for the year ended on specified date is in accordance with International Reporting Financial Standards.

General Director,
Auditor:
Qualification license № 0318
Dated 2 May 1997.

T.E. Nurgaziyev.

Project Manager: **E.I. Ganzha.**

Leading specialist: **S.K. Antonova.**

Date "20" February 2015.

Mamyr - 4, h.14, Almaty,
Republic of Kazakhstan

STATEMENT OF FINANCIAL POSITION

In KZT thousands	Notes	2014	2013
ASSETS			
Cash and cash equivalents	4	**5 875 525**	6 244 345
Available-for-sale financial assets	5	**408 051 433**	329 325 104
Other financial assets	6	**2 779 554**	2 334 226
Prepayment on Corporate Income Tax		**150 121**	115 006
Inventories	7	**1 707**	1 753
Other assets	8	**5 529**	11 369
Deferred tax assets	9	**4 870**	4 038
Property, Plant and Equipment	10	**10 132**	10 571
Intangible assets	11	**25 072**	30 402
TOTAL ASSETS		**416 903 943**	**338 076 814**
LIABILITIES AND EQUITY			
Equity			
Charter capital	12	**177 156 000**	161 051 000
Retained earnings (uncovered loss)		**19 142 454**	3 316 469
Valuation reserve	13	**1 258 172**	(340 164)
Surplus	13	**1 610 510**	1 464 100
Special reserve	13	**215 394 855**	172 420 488
TOTAL EQUITY		**414 561 991**	**337 911 893**
Short – term liabilities			
Liabilities on taxes and payments, except for CIT	14	**32**	-
Other financial liabilities	15	**975**	6 802
Other short – term liabilities	16	**2 340 945**	158 119
Total short – term liabilities		**2 341 952**	**164 921**
TOTAL EQUITY AND LIABILITIES		**416 903 943**	**338 076 814**

The financial statements were approved by Management on 20 February 2015 and signed by:

Chairman B.B.Kogulov.

Chief Accountant E.M.Amirbekova.

Notes on pages 9 – 40 are an integral part of the financial statements.

ДЛЯ ОТЧЕТОВ

STATEMENT OF COMPREHENSIVE INCOME

In KZT thousands	Notes	2014	2013
Interest income	17	**16 464 104**	12 395 670
Interest expense	17	**(105 126)**	(38 570)
Net interest income		**16 358 978**	**12 357 100**
Net revenue from member-banks' contributions and proceeds from liquidation commission	18	**31 304 307**	25 996 961
Gains less losses from currency revaluation	19	**11 692 442**	1 265 683
Other income	20	**1 116**	1 024
Other expenses	21	**(51)**	-
Administrative expenses	22	**(405 606)**	(308 419)
(Profit) /loss before taxation		**58 951 186**	39 312 349
Expense for payment of income tax	23	**832**	1 081
Profit for year		**58 952 018**	**39 313 430**
Mandatory distribution of net income from premiums paid by member-banks and proceeds from liquidation commission in the special reserve	13	**(31 304 307)**	(25 996 961)
Profit after mandatory distribution		**27 647 711**	**13 316 469**
Other comprehensive income (loss):			
Profit (loss) from revaluation of available-for-sale financial assets	13	-	1 717 546
Total other comprehensive income (loss)		-	**1 717 546**
Comprehensive income (loss) for the year less corporate income tax which belongs to shareholder		**27 647 711**	**15 034 015**

The financial statements were approved by Management on 20 February 2015 and signed by:

Chairman _______________ B.B. Kogulov.

Chief Accountant _______________ E.M. Amirbekova.

Notes on pages 9 – 40 are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

In KZT thousands	Notes	Charter capital	Revaluation reserve	Reserve capital	Special reserve	Retained earnings	Total
Balance as at 31 December 2012		**146 410 000**	**(2 057 710)**	**1 331 000**	**126 878 024**	**9 678 603**	**282 239 917**
Profit (loss) for year	F2	-	-	-	-	13 316 469	**13 316 469**
Other comprehensive income (loss) for year	F2	-	1 717 546	-	-	-	**1 717 546**
Comprehensive income (loss) for year		-	**1 717 546**	-	-	**13 316 469**	**15 034 015**
Issue of shares	12	14 641 000	-	-	-		**14 641 000**
Reserve capital formation	13	-	-	133 100	-	(133 100)	-
Formation of special reserve	13	-	-	-	19 545 503	(19 545 503)	-
Mandatory distribution of net income from contributions of member-banks and proceeds from liquidation commission in the special reserve	13	-	-	-	25 996 961	-	**25 996 961**
Balance as at 31 December 2013		**161 051 000**	**(340 164)**	**1 464 100**	**172 420 488**	**3 316 469**	**337 911 893**
Changes in accounting policy, adjustments of past periods						**(5 256)***	**(5 256)***
Balance as at 31 December 2013 after adjustment		**161 051 000**	**(340 164)**	**1 464 100**	**172 420 488**	**3 311 213**	**337 906 637**
Profit (loss) for year	F2	-	-	-	-	**27 647 711**	**27 647 711**
Other comprehensive income (loss) for year	F2	-	1 598 336	-	-	-	**1 598 336**
Comprehensive income (loss) for year		-	**1 598 336**	-	-	**27 647 711**	**29 246 047**
Issue of shares	12	16 105 000	-	-	-	-	**16 105 000**
Reserve capital formation	13	-	-	146 410	-	(146 410)	-
Formation of special reserve	13	-	-	-	11 670 060	(11 670 060)	-
Mandatory distribution of net income from contributions of member-banks and proceeds from liquidation commission in the special reserve	13	-	-	-	31 304 307	-	**31 304 307**
Balance as at 31 December 2014	12, 13	**177 156 000**	**1 258 172**	**1 610 510**	**215 394 855**	**19 142 454**	**414 561 991**

* Adjustments of past periods have been performed by the Company due to violation of Accounting Policy, and article 71 IFRS 38 "Accounting of "Accounting of intangible assets".

The financial statements were approved by Management on 20 February 2015 and signed by:

Chairman B.B.Kogulov.

Chief Accountant E.M.Amirbekova.

Notes on pages 9 – 40 are an integral part of the financial statements

STATEMENT OF COMPREHENSIVE INCOME

In KZT thousands	2014	2013
Cash flow from operating activities:		
Cash inflow, total	**48 244 517**	**38 973 931**
Proceeds from payments of mandatory calendar premiums	32 077 269	26 225 847
Proceeds from liquidation committee	920 000	748 000
Receipt of interest on deposits placed with banks	37 895	7 325
Interest received on available-for-sale financial assets	15 035 282	11 978 020
Interest received on transaction of reverse repo	135 893	3 563
Return of CIT	38 178	11 176
Cash outflows, total	**411 605**	**428 464**
Payments for suppliers' goods and services	103 058	104 789
Payment of travel expenses	8 976	6 377
Payroll payment	178 812	126 376
Corporate income tax paid	28 428	117 096
Other taxes and other mandatory payments to the budget	63 893	48 023
Reimbursement of individuals' deposits	925	808
Other payments	27 513	24 995
Net cash flow used in operating activity	**47 832 912**	**38 545 467**
Cash flow from investment activities:		
Cash inflow, total	**185 065 261**	**116 551 901**
Including:		
Proceeds from redemption of available-for-sale financial assets	96 073 210	106 920 896
Proceeds from transaction of reverse repo	88 992 051	9 631 005
Cash outflows, total	**249 372 862**	**166 898 263**
Including:		
Acquisition of fixed assets	3 842	4 584
Acquisition of intangible assets	10 561	26 627
Acquisition of available-for-sale financial assets	173 178 419	144 424 035
Disposal on transaction of reverse repo	76 180 040	22 443 017
Other payments	-	-
Net cash flow total from investment activities	**(64 307 601)**	**(50 346 362)**
Cash flow from financial activities		
Cash inflow, total	**16 105 000**	**14 641 000**
Including:		
Issue of ordinary shares	16 105 000	14 641 000
Cash outflows, total	-	-
Net cash flow total from financial activities	**16 105 000**	**14 641 000**
Net change in cash	**(369 689)**	**2 840 105**
Effect of exchange rate changes on cash balances in foreign currency	**869**	**(152 186)**
Cash and cash equivalents at the beginning of reporting period	**6 244 345**	**3 556 426**
Cash and cash equivalents at the end of reporting period	**5 875 525**	**6 244 345**

The financial statements were approved by Management on 20 February 2015 and signed by:

Chairman B.B.Kogulov.

Chief Accountant E.M.Amirbekova.

ДЛЯ ОТЧЕТОВ

Notes on pages 9 – 40 are an integral part of the financial statements

STATEMENT OF CASH FLOWS

1. CORPORATE INFORMATION

The financial statements of « Kazakhstan deposit insurance fund » JSC (further the "Company") for the year ended 31 December 2014 was approved for issue on 20 February 2015.

The Company was established on the basis of Resolution of the Board of the National Bank of the Republic of Kazakhstan (further "NB RK") dated 15 November 1999, No. 393.

Legal address and actual location is 181 Kunayev st, Almaty, Republic of Kazakhstan.

Certificate of state re-registration of the legal entity No.30190-1910-AO dated 24 September 2010, issued by Almaty Justice Department of Ministry of Justice of the Republic of Kazakhstan, BIN 991240000414, and initial date of registration of the Company 20 December 1999.

The Company has been assigned a new registration number No. 2979-1910-06-AO in accordance with the certificate of the Ministry of Justice of the Republic of Kazakhstan on the latest changes due to changes in the location of Company.

Statistic Agency of the Republic of Kazakhstan Company assigned code No.39097277 by the state classifier of Enterprise dated 22 December 1999.

Taxpayer certificate of the Republic of Kazakhstan 60 No. 115737 series dated 23 December 1999 issued by the Tax Committee of Bostandyk district of Almaty, confirms the Company's state registration as a taxpayer from 23 December 1999. The Company was assigned with BIN No.991240000414.

Custody services and asset management of financial assets of the Company in accordance with the contract No.166NB dated 21 May 2008 is performed by National Bank of the Republic of Kazakhstan.

Registrar of the Company from 5 December 2012 up to date is "United Registrar of Securities" JSC. Activities of the registrar on keeping the register of securities holders are not subject to licensing by the authorized body in connection with the amendments made to the law "On the Securities Market" dated 28 December 2011.

The Company is governed in its activities by the Constitution of the Republic of Kazakhstan, the Civil Code of the Republic of Kazakhstan, the Laws of the Republic of Kazakhstan "On Joint Stock Companies", "On the National Bank of the Republic of Kazakhstan", "On mandatory insurance of deposits placed in second-tier banks of the Republic of Kazakhstan", "On Banks and banking activities in the Republic of Kazakhstan "," On state Regulation and Supervision of Financial Market and financial Organizations", other normative legal acts of the Republic of Kazakhstan, the Charter, the decision of shareholders and the Board of Directors of the Company.

Responsibilities and functions

In accordance with the Law of the Republic of Kazakhstan "On mandatory insurance of deposits placed in second-tier banks of the Republic of Kazakhstan" dated 7 July 2006, the main objectives of the Company are:

1) participation in ensuring the stability of the financial system of the Republic of Kazakhstan;

2) protection of the rights and legitimate interests of depositors of guaranteed deposits in the event of compulsory liquidation of a member bank.

The Company contributes to the maintenance of confidence in the banking system and the growth during performance of these tasks.

The main functions of the Company include:

payment of guaranteed compensation to individuals who are forced to depositors of the liquidated banka- party obligatory deposit insurance system;

formation of a special reserve intended to guarantee the payment of compensation;

investing its assets in various financial instruments in order to obtain investment income;

definition of the terms of Contract of adhesion * and other regulations binding-banks participants in the system of insurance of deposits;

participation in the interim administration appointed by the period of conservation of a member bank deposit insurance system, as well as during the deprivation of a member bank license to conduct all banking transactions by National Bank of the Republic of Kazakhstan;

ДЛЯ ОТЧЕТОВ

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

participation in the liquidation committee and committee of creditors forced liquidation of a member bank and others.

* Contract of adhesion - the merger agreement of the bank to the system of compulsory deposit insurance, the terms of which are determined by the provider of the mandatory deposit insurance, and are standard for all banks joining the system.

Directly related to the activity of the Company is investment activity in securities.

The Company has no branches and representative offices.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements of the Company for the year then ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as approved by the IASB in accordance with the principle on a historical (initial) cost, except for financial instruments, the initial recognition and subsequent accounting of which is implemented at fair value.

Functional currency and presentation currency

The national currency of the Republic of Kazakhstan is Kazakhstani tenge which is the Company's functional currency and the currency in which these financial statements of the Company are presented. All financial information presented in tenge and has been rounded to the (nearest) thousand.

Going concern

These financial statements have been prepared taking into account the fact that the Company operates, and will operate for the foreseeable future. Thus, it is assumed that:
- the Company does not intend, and does not require the elimination or significant reduction of its activities;
- asset sales and settlement of liabilities will be carried out in the ordinary course of business for the foreseeable future.

Financial statements do not include any adjustments necessary in case if the Company could not continue its activities on a going concern basis.

Accrual basis

These financial statements, except for the information of cash flows, prepared in accordance with the principle of accrual. Accrual basis is assured by recognition of the results of transactions and other events upon which they occurred regardless of the time of payment. Transactions and events are recorded in the accounting records, and are included in the financial statements in the period in which they occurred.

Recognition of elements of financial statements

The accompanying financial statements include all assets, liabilities, equity, income and expenses, which are elements of the financial statements.

All the elements of financial statements are presented in the form of line items. Combine of multiple elements of financial statements into single article has been produced in accordance with their characteristics (functions) in the Company's activities. Each material class of similar items is presented in the financial statements separately. Articles dissimilar nature or functions are presented separately unless they are immaterial.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make estimates and preparation of assumptions regarding the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of profit and loss for reporting year.

ДЛЯ ОТЧЕТОВ

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Significant accounting judgments, estimates and assumptions (continued)

Physical results could differ from those estimates. Uncertainty about these assumptions and estimates may result in a material adjustment to the carrying amount of an asset or liability in the future in respect of which are subject to assumptions and estimates.
The estimates and underlying assumptions are regularly reviewed by the Company. Changes in accounting estimates are recognized in the period in which the estimate is revised when changes affects only that period or in the period of change and future periods, also if changes affects both current and future periods.
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Taxation

The management considers as probable liabilities the known areas of incompliance of tax positions at assessing of tax risks which the Company would not appeal or does not believe it could successfully appeal, if assessed by the tax authorities. Such determinations inherently involve judgment and are subject to change as a result of changes in tax laws and regulations, amendments and the current outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities.

The Company carried a tax accounting in accordance with RK Code "On Taxes and other mandatory payments to the budget" (referred to as "RK Tax Code"). Pursuant to subsection article 99.1.16 of the Tax Code of the Republic of Kazakhstan introduced on 01.01.2014, the "investment income of organization performing obligatory insurance of deposits of individuals derived from the investment of special reserve assets, and aimed at its increase shall be excluded from gross income "the Company and are not subject to corporate income tax.

In 2014, the Company carries separate accounting on owned assets and special reserve assets according to article 7.2.7 of the RK Law "On mandatory insurance of deposits placed in second-tier banks of the Republic of Kazakhstan."

The fair value of financial instruments

When fair value of financial assets and financial liabilities recognized in the statement of financial position cannot be determined on the basis of active markets, it is determined using valuation techniques including discounted cash flow model. The source data for these models are taken from observable markets as possible, but in those cases when it is not actually feasible, a degree of judgment to determine fair value. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments recorded in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are in note 3. These policies have been consistently applied

Applied standards and interpretations

The Company has applied following new or revised IFRIC at the present reporting year. Applied revised standards and interpretations have not exerted significant influence to the financial results and financial position of the Company.

- IFRS 7 Financial instruments: disclosure of information: Improvement of disclosure information about financial instruments;
- IFRS 10 «Consolidated financial statements»;

ДЛЯ ОТЧЕТОВ
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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Applied standards and interpretations (continued)

- IFRS 19 «Employee benefits»;
- IFRS 32 «Financial instruments, Presentation»
- IFRS (IAS) 36 «Impairment of assets»;
- IFRS (IAS) 39 «Financial instruments: recognition and measurement»;
- Amendments to IFRS.

Influence of adopted standards data and interpretations of the Company's financial statements if there was, please, see below:

IFRS 7 "Financial instruments: disclosure of information". Clearing of financial assets and financial obligations;

Amendments to IFRS 7 demand disclosure of bigger volume of information in comparison with the current requirements of IFRS and US GAAP. The main emphasis is placed on disclosure of quantitative information on recognized financial instruments on which clearing in the report on a financial position, and also on those recognized financial instruments on which conditions of the general agreement on clearing or the similar contract irrespective of extend is carried out, whether clearing was carried out. The amendment to IFRS 7 is directed on improvement and rapprochement of requirements for disclosure of information of IFRS and US GAAP. The amendment had no impact on a financial position of the Company.

IFRS 10 "Consolidated financial statements"

The IFRS 10 provide uniform model of control which is applied to all companies, including the companies of a special purpose. The changes made by the standard of IFRS 10 will demand from the management of considerable judgments when determining what of the companies and, therefore, have to be consolidated by the parent company, than at application of requirements of IFRS (IAS) 27.
The standard had no impact on financial statements of the Company, in a type of lack of consolidation.

IFRS (IAS) 19 "Remunerations to workers" (in the new edition)

The Committee on IFRS published some amendments to IFRS (IAS) 19. They vary from fundamental changes (for example, an exception of the mechanism of a corridor and concept of the expected profitability of assets of the plan) to simple explanations and changes of the formulation. The Company has no pension plans and, therefore, the amendment had no impact on a financial position of the Company.

IFRS (IAS) 32 "Financial instruments: providing information"

Adjustments to IFRS (IAS) 32 contain explanations concerning the right of offset of financial assets and financial obligations in the report on a financial position. Amendments explain that the right of offset has to exist at the moment, which is not depending on future events. It also has to be legally valid for all contractors during usual activity, and also in case of default on obligations, insolvency or bankruptcy. The amendment to an application guide of IFRS (IAS) 32 significantly didn't change, and only explained the current requirements to carrying out offset of the sums reflected in the report on a financial position. The amendment had no impact on a financial position of the Company.

IFRS 36 "Impairment of assets"

These amendments slightly change an order of disclosure of information according to requirements of IFRS (IAS) 36 "Impairment of assets":
- the requirement of disclosure of information on the compensated sum if the generating unit (cash – generating unit) contains goodwill or intangible assets with uncertain service life is cancelled, but thus depreciation did not arise;
- the requirement of disclosure of information on the compensated sum of an asset or cash – generating unit, in case of recognition or revision of a loss from depreciation is included;
- the requirement of detailed disclosure of information how the assessment at fair value minus costs of leaving in case of recognition of a loss from depreciation or its reversal was carried out is included. The amendment had no impact on a financial position of the Company.

ДЛЯ ОТЧЕТОВ

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Applied standards and interpretations (continued)

IFRS (IAS) 39 "Financial instruments: recognition and assessment"

According to IFRS (IAS) 39 the Company has to stop applying the accounting of hedging to the derivative financial instrument defined as the instrument of hedging if as a result of an innovation this derivative financial instrument is transferred to the central contractor as in this case the initial derivative financial instrument does not exist anymore. The new derivative financial instrument with the central contractor admits at the time of an innovation. The amendment had no impact on a financial position of the Company.

IFRS adjustments

In 2013, the Committee on IFRS has issued the first complete set of adjustments to its standards, mainly for the purpose of abolishment of discrepancies and definition of formulate. In relation of every standard there are separate transition positions. Adoption of adjustments has not impact on Company's financial position.
The Company has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective as of 30 September 2014:

- IFRS 9 «Financial instruments: Classification and Measurement» will start from 01.01.2015.

The Company does not expect that the adoption of the mentioned above will have significant impact on the Company's results of operations and financial position.

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies (cash in foreign currency accounts, financial assets available for sale) are retranslated at the functional currency rate of exchange ruling at the balance sheet date.
Monetary assets of the Company denominated in US dollars are translated into KZT at the balance sheet date for the following courses:
- as at 31.12.2014 by rate KZT 182,35.
- as at 31.12.2013 by rate KZT 154,06.

The Company uses the weighted average exchange market rate of exchange prevailing at the substantive session of the Kazakhstan Stock Exchange to convert items of financial statements denominated in foreign currencies, as well as for reflecting the foreign exchange transactions in the accounting. All exchange differences arising on settlement and translation of monetary items are included in the profit and loss period.
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 original transaction.
Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date of determination of fair value. All exchange differences arising from the translation of non-monetary items are recognized in accordance with the recognition of gains or losses arising from changes in the fair value of the article

Cash and cash equivalents

Cash and cash equivalents consist of funds in the bank accounts of the Company. Cash equivalents represent short-term highly liquid investments that are ready to be converted into known amounts of cash with maturities of three months or less, and which are related to an insignificant risk of changes in value, as well as bank overdrafts.
Cash and cash equivalents include an own cash balances on the current account in the Department of Accounting Monetary Operations (DFM and MFI) NB RK, a savings deposit, investment and other accounts with the National Bank of the Republic Kazakhstan, "Kazkommertsbank" JSC, and "Bank CenterCredit" JSC .

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

Initial recognition of financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position only when it becomes part of the contractual provisions of the instrument. Financial assets and liabilities are recognized initially at fair value plus, in the case of financial assets and liabilities not at fair value through profit or loss directly attributable transaction costs. Any gains or losses are recognized in the current period of income and loss.

Financial assets within the scope of IFRS (IAS) 39 are classified into the following categories:
- Financial assets at fair value through profit or loss;
- Investments held to maturity;
- Loans and receivables;
- Financial assets available for sale.

Financial liabilities within the scope of IFRS (IAS) 39 are classified into the following categories:
- Financial liabilities measured at fair value and changes therein are recognized in profit or loss;
- Financial liabilities measured at amortized cost.

Financial assets or liabilities at fair value through profit or loss are assets or liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. A financial asset is classified in this group, if in spite of acquisition it is a part of the portfolio which is evidence of an effort to make a profit in the short term. Derivative financial assets and derivative financial liabilities are always treated as at fair value through profit or loss except, when they are designated as effective hedging instruments.

Financial assets of the Company include cash, financial assets available-for-sale, and receivables of the member-banks in the system of insurance of deposits of individuals on the calendar mandatory contributions.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement of loans and receivables are measured at amortized cost using the effective interest rate method less provision for impairment. Amortized cost is calculated with any discount or premium arising on acquisition, and includes fees that are an integral part of the effective interest rate and transaction costs. Depreciation on the basis of using effective interest rate is included in finance income in profit or loss of the period. Expenses related to the impairment are recognized in profit or loss of the period. Gains and losses arising on de recognition of the asset is recognized in the income statement of the period.

Receivables on mandatory calendar premiums of banks participating in the system of insurance of deposits of individuals are recognized initially by the Company in the amount of independently produced quarterly estimates, the basis for the calculation of which is the sum of the appropriate contributions of member-banks in the previous quarter.

In accordance with the provisions of the Law of the Republic of Kazakhstan "On mandatory insurance of deposits of individuals placed in second-tier banks of the Republic of Kazakhstan" the volume and contributory scheme of member-banks are defined by the management organization conducting the mandatory deposit insurance. In accordance with the provisions of the Contract of adhesion approved by the Board of Directors of "Kazakhstan Deposit Insurance Fund" JSC, protocol number 32 dated 30 October 2006 (hereinafter - the Contract of adhesion), member-bank undertakes to pay to the Company the required calendar premiums up to the fifteenth day of the month following the reporting quarter.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Loans and receivables (continued)

Amount of contribution receivable is determined by applying the rate of compulsory calendar fee to the total amount of deposits guaranteed by the member-banks as of the first day of the month following the reporting quarter.
The Company made regulation of amount of contributions receivable for the previous quarter in the month following the reporting quarter on the basis of information received from member-banks on the first day of the month following the reporting quarter. The Company defines and notifies the member-banks quarterly on assigned classification group and contribution rate, and the bank will calculate and transfer mandatory calendar premiums independently, thus the Company assigned the function of control over the accuracy and timeliness of the member-banks' liabilities.

Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that are either designated in this category or not classified in any other categories.

After initial recognition of financial assets available for sale are measured at fair value with unrealized gains or losses, except for impairment losses and the positive and negative exchange differences are recognized as other comprehensive income until the asset is derecognized. At this point, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss in the period. Interests earned or paid on investments are reported in the financial statements as income or expense in interest income / expense.

Financial assets available-for-sale are investment securities that the Company intends to hold for an uncertain period, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices of securities.

Revaluation reserve for financial assets

Revaluation reserve for financial assets is made as a result of revaluation of financial assets available-for-sale which is measured at fair value at the balance sheet date. Elements of changes at fair value are recognized in equity until de recognition or impairment. At disposal of such assets, or when, in respect of them recognized impairment then reserve is transferred from equity to financial income and expenses in the statement of comprehensive income.

Transactions under sale and repurchase agreements, securities loans.

Transactions under sale and repurchase agreements ("REPO") which effectively provide a lender's return to the counterparty are treated as transactions to raise funds against collateral securities. Recognition of securities sold under sale and repurchase agreements are not terminated. Reclassification of securities to another item in the statement of financial position is not performed unless the transferee has the right by contract or in accordance with established practice to sell or re-pledge securities. In such cases, they are classified as "Receivables on REPO transactions." The corresponding liability is reported at the expense of other banks or other borrowed funds.
Securities purchased under agreements to resell ("reverse repurchase agreement") which effectively provide a lender's return to the Company are recorded on accounts receivable depending on the counterparty. The difference between the sale and repurchase price is treated as interest and accrued over the life of REPO agreements using the effective interest rate.
Securities provided to counterparties as borrowing for fixed fee are retained in the financial statements in original statement of financial position, unless the counterparty has the right by contract or in accordance with established practice, sell or re-pledge the securities. In such cases, the Company made its reclassification as a separate balance sheet items.
Securities received as a loan for fixed fee are not recorded in the financial statements unless they are sold to third parties. In such cases, the financial result of purchase and sale of these securities are recorded at fair value as accounts payable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Fair value

Fair value is the amount for which asset could be exchanged, or by which it is possible to settle the obligation at arm's length transaction between knowledgeable, independent parties acting on a voluntary basis. Fair value is an actual demand price for financial assets and actual proposal price for financial liabilities which are quoted in an active market. The Company may use mid-market prices to determine the fair value of positions with offsetting risk and apply to the net open position as appropriate bid or proposal price bid regarding to assets and liabilities with offsetting market risks. Financial instrument is quoted at active market if quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly transactions implemented on market conditions.
The Company revalued the fair value of financial investments once a month, on the last working day of the month, according to quotations (prices) established at the close of trading on the Kazakhstan Stock Exchange according to Bloomberg Finance LP on the penultimate working day of the calendar month or on the last day of trading these assets for a calendar month and day, the previous day of trading.
Value of financial instruments that are not quoted in an active market is not overrated due to the fact that the date of issue of these securities on the last day of trading.
The fair value is determined using valuation techniques for investments which are not quoted at a market. Such techniques include using the most recent transactions made on a commercial basis; the current market value of similar instruments; discounted cash flow analysis and option pricing models.

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

Amortized cost
Amortized cost is the initial cost of asset less any principal repayments, but including accrued interest, and for financial assets - net of any write-down for incurred impairment losses. Accrued interest includes amortization of deferred at initial recognition of transaction costs, and any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon profit and amortized discount, or premium (including deferred at initial recognition fee, if any) are not presented separately, and are included in the carrying amount of the related assets and liabilities.

The effective interest method is a method of recognition of interest income or interest expense over the relevant period with purpose to achieve a constant rate in each period (effective interest rate) on the carrying amount instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected term of the financial instrument or, when appropriate, during shorter period to the net carrying value of the financial instrument. The effective interest rate used to discount the cash flows of variable interest instruments to the next date of change of interest, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates values. Such premiums or discounts are amortized over the expected term of the instrument. The present value calculation includes all fees which were paid or received between parties to the contract that are an integral part of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Liabilities at amortized cost

After initial recognition in the statement of financial position, the Company shall assess all financial liabilities at amortized cost, except for liabilities at fair value through profit or loss and liabilities from derivatives, except stated at actual cost obligations under derivative instruments executed by delivery of the associated unquoted equity instruments whose value cannot be determined with reasonable certainty. Financial liabilities designated as hedged items are subject to assessment in accordance with IAS 39.

Profit (losses) on financial assets and financial liabilities carried at amortized cost are recognized in profit or loss in the period when either derecognizes a financial asset or liability, or its impairment has occurred, including the amortization process.

The Company assesses availability of objective evidence of impairment for financial asset or group of financial assets as at the end of each reporting period.

A financial asset or group of financial assets is deemed to be impaired 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 ("loss events") that can be reliably assessing the impact on the estimated future cash flows financial asset or group of financial assets. Objective evidence of impairment for financial asset or group of financial assets is information about the following loss events acquired by a holder of the asset: the issuer (the debtor) is experiencing significant financial difficulty, violates the terms of the contract, for example, or refuse to deviate from the payment of interest or principal amount, the probability of bankruptcy or financial reorganization of the borrower, the lender providing favorable conditions for economic or legal reasons relating to the borrower's financial difficulties, which the lender would not under any other circumstances. These testimonies are also observable data indicating the presence of a measurable decrease in the estimated future cash flows of a financial instrument, in particular, such as changes in arrears or national or local economic conditions that correlate with defaults in the payment of debt obligations. Objective evidence of impairment of investment in an equity instrument includes information about significant changes with adverse effects in the technical, market, economic or legal environment in which the issuer acts, and show that the value of an investment in an equity instrument may not be recoverable.

For financial assets carried at amortized cost

The Company assesses firstly whether objective evidence of impairment exists individually for financial assets that have an independent meaning, and individually or collectively for financial assets that are not individually significant. If the Company finds that no objective evidence of impairment in relation to individually assessed financial asset, both existing and not having its own value, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets assessed for impairment individually which is recognized or continues to be recognized impairment loss is not included in a comprehensive assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future not yet incurred credit losses) calculated at the original effective interest rate for this financial. The carrying amount of the asset is reduced either directly or through an allowance account. An impairment loss is included into cost of the profit and loss account of the period.

When the amount of the impairment loss of assets decreases in a subsequent period, the amount of the impairment loss of assets decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an increase in debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. If the previous write-down of financial assets is subsequently recovered, the recovery is recognized in investment spending in the income statement of the period. If the previous write-down of financial assets is subsequently recovered, the recovery is recognized in investment spending in the income statement of the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

For financial assets available for sale

The Company assesses objective evidence at the end of each reporting period that an investment or group of investments is impaired.

In case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline at fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "duration"' - in comparison with the period during which the fair value has been less its original cost. If there is objective evidence of impairment of cumulative loss measured as the difference between the acquisition cost and the current fair value less any previously recognized gains and losses impairment loss on investment data is removed from other comprehensive income and recognized in profit or loss in the period, despite the fact that financial asset was not written - off from the balance sheet. Impairment losses on equity investments are not reversed through profit or loss in the period, an increase at their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria that apply to financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. If during the next year, the fair value of a debt instrument increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss of the period.

De recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired;

- The Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

(a) has transferred substantially all the risks and rewards of the asset, or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that are saved by the Company.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

De recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognizing of the original liability and recognition of a new liability and difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets

Fixed assets at the time of receipt are recorded in the financial statements at cost, which includes all the necessary expenses actually incurred for the acquisition of fixed assets.

Further these assets are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of fixed assets, newly commissioned, produced since the commissioning of fixed assets and for retired fixed assets - discontinued from the date of derecognition of the asset or the date of its classification as held for sale (or inclusion in a disposal group classified as held for sale) in accordance with International Accounting Standard IAS (IFRS) 5.

The average estimated useful life of fixed assets is determined from 3 to 10 years.

The residual value of property is estimated value of the amount that could be received by the Company as a result of the sale net of selling expenses on the assumption that fixed asset will be expected at the end of useful life of the technical condition.

The residual value, useful life and depreciation method are reviewed and adjusted if appropriate, at each financial year end.

Subsequent costs are included in fixed assets of the asset carrying amount or recognized as a separate asset if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. All other expenditure on repairs and maintenance are reported in the income statement during the period in which they are incurred.

An item of fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Income or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for reporting period in which asset was de-recognized.

Intangible assets

Intangible assets are recognized initially at cost. After initial recognition, intangible assets are carried at cost less accumulated amortization and the accumulated losses from impairment. Intangible assets produced internally, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit and loss account for the year in which it occurred.

Intangible assets with limited useful life is amortized within this period, and assessed in terms of impairment, if there is evidence of impairment of the intangible asset.

Depreciation is charged on the basis of straight-line method of depreciation over the estimated useful life of the facilities, which is 3 years.

Operating leases

The Company is the lessee

Leases of assets where the lessor retains the risks and rewards of ownership of the asset leases are classified as operating leases. Lease payments under an operating lease are recognized as an expense over the lease term and recognized as an expense in the statement of comprehensive income in accordance with their functional purpose.

Income tax

Current corporate income tax

Tax assets and liabilities for the current corporate income tax, as well as the current and prior periods are measured at the amount expected to be recovered from the tax authorities or paid to the tax authorities. The tax rates and tax law used to compute the amount are rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax (continued)

Deferred tax is recognized on the balance sheet date for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which may be offset by the deductible temporary differences, and unused tax credits and unused tax losses.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced; it is unlikely that there will be sufficient taxable profit derived, which allow the use of all or part of the deferred tax asset. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that were enacted at the balance sheet date or actually implemented.

Current and deferred taxes are subjected to be recognized out of profit or loss, if tax relates to items that are recognized out of profit or loss. Therefore, the current and deferred tax relating to items that are recognized:

a) other comprehensive income, shall be recognized in other comprehensive income;

b) directly in equity, shall be recognized directly in equity.

Deferred tax assets and liabilities are offset, if legally enforceable right to offset current tax assets and liabilities, and deferred taxes relate to the same Company- taxpayers and tax authorities.

Labor costs, social tax and social contributions

Wages, salaries, social tax, social contributions, paid annual leave and sick leave, bonuses are accrued in the year in which the related services are provided by employees of the Company.
The aggregate amount of social tax and social contributions is 11% of the taxable income of the Company's employees.

Employee benefits

The Company withholds up to 10% from the salary of its employees as the employees' contribution to their designated pension funds, in accordance with the State pension scheme of the Republic of Kazakhstan. The Company does not have post-retirement benefits or other compensated benefits requiring accruals.

Reserve capital

It is formed in accordance with the requirements of the legislation and the founding documents of the Company. Company forms reserve capital by transferring part of the net income received as a result of the reporting period to cover unforeseen risks and future losses. Capital reserve is not distributable.

Special reserve

In accordance with provisions of Law of the Republic of Kazakhstan "On mandatory insurance of deposits of individuals placed in second-tier banks of the Republic of Kazakhstan" to carry out activities related to the payment of guaranteed compensation, the Company forms a special reserve against contributions from banks – participants, penalty

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special reserve (continued)

applied to the member-bank for any failure to perform obligations under the contract of adhesion, cash received in satisfaction compulsorily liquidated banks - participant to the Company's requirements on the amount of guaranteed compensation, as well as the distribution of profits in accordance with the decision of the National Bank of Kazakhstan.
Special reserve was formed by the Company for payment of guaranteed compensation to depositors in case of compulsory liquidation of banks - participants.
In accordance with provisions of Law of the Republic of Kazakhstan "On mandatory insurance of deposits placed in second-tier banks of the Republic of Kazakhstan" targeted volume of the special reserve of the organization performing mandatory deposit insurance comprises not less than five percent of the amount of guaranteed deposits in the banks - participant.

Recognition of income and expenses

Interest and similar income and expenses

All financial instruments measured at amortized cost and interest bearing financial instruments classified as financial assets available for sale, interest income or expense are reported on an effective interest rate at discounting of which estimated future cash payments or receipts through the expected life of the financial instrument or within shorter period, where appropriate, bring to the net carrying amount of the financial asset or financial liability exactly.
When calculation are considered all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company reviews its estimates of payments or receipts. The adjusted carrying amount is calculated on the basis of original effective interest rate, and change in carrying amount is recorded as interest income or expense.
In the event of decrease of the value of a financial asset or group of similar financial assets due to impairment in the financial statements, interest income continues to be recognized at original effective interest rate on the basis of new carrying amount.

Net income from contributions of member-banks and proceeds from the liquidation committee of member-banks.

In accordance with provisions of the Contract of adhesion, the contributions paid by member-banks are non-refundable, except for amounts overpaid contributions in cases of certain rules for determining the size and order of payment of mandatory calendar, additional and extraordinary contributions, and the Agreement.
The Company introduced a system of differential rates from 1 January 2007 where member-banks are classified in categories and assigned ratings depending on the estimated level of risk and financial stability. Banks with lower ratings transfers contributions in a larger size, because they have a greater degree of risk. Bank with less risk transfers contributions to a reduced size. The Company uses the software system of differential rates "BATA" for the analysis of financial performance, risk assessment and credit ratings.
"BATA" was developed by the Company not only to establish fair rules regarding the size of mandatory calendar premiums of the member-banks, but also to prevent the occurrence of cases of bank failures. According to established legal requirements, mandatory calendar fees of member-banks are paid quarterly.
Income on mandatory calendar premiums initially recognized by the Company in the amount of independently produced quarterly estimates, the basis for the calculation of which is the sum of the appropriate contributions of member-banks in the previous quarter.
On the basis of information received from member-banks on the first day of the month following the reporting quarter, the Company made the regulation of income on mandatory contributions for the previous calendar quarter during the month following the reporting quarter.
Net income from contributions of member-banks and the proceeds from liquidation committee are above income less expenses incurred by the Company to pay the guaranteed compensation to depositors of liquidated banks.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses

Expenses are recorded at the time of actual receipt of the stocks or services, regardless of when cash or cash equivalents were paid, and are shown in the financial statements in the period to which they relate.

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the balance sheet date (adjusting events) are reflected in the financial statements.

Post-year-end events that are not adjusting events are disclosed in the notes when they are material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. CASH AND CASH EQUIVALENTS

In KZT thousands	2014	2013
Cash on the current bank accounts	**4 446 286**	2 827 202
Cash on card accounts	**721**	828
Cash in saving accounts *	**1 428 000**	3 400 000
Cash in investment banking account, total:	**518**	16 315
including: KZT	**241**	7 794
USD (in 2014 – USD 1,516.23, in 2013 году – USD 55,307.23)	**277**	8 521
	5 875 525	**6 244 345**

* Deposits with original maturity less than three months with interest rate of 0.5% per annum.

5. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets of the Company accounted for-sale are recorded in the financial statements at fair value, net of amortized premiums and discounts, including accrued coupon interest.
The fair value of securities available-for-sale was determined based on the weighted average quoted price prevailing at the balance sheet date under the terms of an active market for securities in official trade lists of "Kazakhstan Stock Exchange» (KASE) JSC, and according to Bloomberg Finance L.P.

In KZT thousands	2014	2013
Bonds of the Ministry of Finance of the Republic of Kazakhstan	**331 346 430**	251 576 414
Corporate bonds of issuers in Kazakhstan (Mortgage Organization "Kazakhstan Mortgage Company" JSC)	**1 299 391**	1 260 164
USA Government securities (short - term) (in 2014 – USD 328,673,211.30, in 2013 – USD 413,281,737.15)	**59 933 560**	63 670 184
USA Government securities (long - term) in 2014 – USD 84,810,742.19)	**15 472 052**	-
Transaction of reverse repurchase agreement	-	12 818 342
	408 051 433	**329 325 104**

The following is an analysis of debt securities by credit quality by types separately:

In KZT thousands	**Coupon % rate annually**	**Average effective % rate annually**	2014	2013
MEOKAM (Ministry of Finance)	4,38%	3,25%	72 314 873	73 357 272
MEKKAM (Ministry of Finance)	-	4,00%	350 312	5 746 562
MEUKAM (Ministry of Finance)	6,01%	4,89%	258 681 245	172 472 580
KMC (JSC "Mortgage organization" Kazakhstan Mortgage Company ")	7,41%	3,71%	1 299 391	1 260 164
US government securities (short-term)	-	0,13%	59 933 560	63 670 184
US government securities(long-term)	1,00%	1,00%	15 472 052	-
Operation "reverse repo"	-	-	-	12 818 342
			408 051 433	**329 325 104**

Available securities of the Company are issued by state institutions of the Republic of Kazakhstan (NB RK and the Ministry of Finance) and the US government has government guarantees. There were no delays observed upon payment of interest or the nominal amount of securities at maturity. All securities available for sale have a low risk and are undue, not impaired with financial assets. The credit rating of the state institutions of the Republic of Kazakhstan is equal to rating the Republic of Kazakhstan (see Note 20).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Corporate bonds are investments in "Mortgage organization "Kazakhstan Mortgage Company" JSC has rating of «BBB / Stable "at the balance sheet date estimated by credit rating agencies« Fitch Rating ». All securities available for sale are classified as standard financial assets that are used by management for internal monitoring of the credit quality of financial assets of the Company.

The carrying value of investment securities available for sale at the reporting date is shown below:

2014

	MEOKAM	MEKKAM	MEUKAM	KIK	CB US Government long - term	CB US Government short - term	Reverse repo transaction	Total
Carrying amount as at 31.12.2014	**73 357 272**	**5 746 562**	**172 472 580**	**1 260 164**	-	**63 670 184**	**12 818 342**	**329 325 104**
Securities purchased available-for-sale	8 793 295	341 058	88 813 596		15 436 422	59 794 049	76 180 040	**249 358 460**
Repayment of securities available-for-sale	(10 007 000)	(5 777 084)	(5 068 000)			(75 221 126)	(88 992 051)	**(185 065 261)**
Interest income accrued	3 136 741	54 132	12 920 670	87 567	5 647	85 201	129 563	**16 419 521**
Interest expense accrued	(11 992)		(93 134)					**(105 126)**
Interest received	(3 223 811)		(11 730 130)	(81 340)			(135 894)	**(15 171 175)**
Income less losses from revaluation at fair value	270 368	(14 356)	1 365 663	33 000	(25 238)	(31 101)	-	**1 598 336**
Exchange differences on securities available-for-sale				-	55 221	11 636 353	-	**11 691 574**
Carrying amount as at 31.12.2014	**72 314 873**	**350 312**	**258 681 245**	**1 299 391**	**15 472 052**	**59 933 560**	-	**408 051 433**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

2013

	MEOKAM	MEKKAM	MEUKAM	KIK	Notes of the NB RK	CB of the US Government	Reverse repo transaction	Total
Carrying amount as at 31.12.2012	**71 041 159**	**7 935 698**	**121 818 511**	**1 218 910**	**18 488 788**	**55 004 545**	**-**	**275 507 611**
Securities purchased available-for-sale	23 869 163	5 630 956	49 045 581	-	2 493 500	63 384 835	22 443 017	**166 867 052**
Repayment of securities available-for-sale	(21 672 778)	(7 962 168)	-	-	(21 064 185)	(56 221 765)	(9 631 005)	**(116 551 901)**
Interest income accrued	3 602 579	123 017	8 420 059	83 991	63 719	83 822	9 893	**12 387 080**
Interest expense accrued	(11 402)	-	(27 168)	-	-	-	-	**(38 570)**
Interest received	(3 478 701)	-	(8 416 579)	(82 740)	-	-	(3 563)	**(11 981 583)**
Income less losses from revaluation at fair value	7 252	19 059	1 632 176	40 003	18 178	878	-	**1 717 546**
Exchange differences on securities available-for-sale	-	-	-	-	-	1 417 869	-	**1 417 869**
Carrying amount as at 31.12.2013	**73 357 272**	**5 746 562**	**172 472 580**	**1 260 164**	**-**	**63 670 184**	**12 818 342**	**329 325 104**

6. OTHER FINANCIAL ASSETS

Receivables are accounted in other financial assets for calendar contributions of member-banks of the system of insurance of deposits of individuals. Receivables from member-banks on mandatory calendar premiums after the impairment as of 31 December 2014 comprise:

In KZT thousands	**2014**	**2013**
Calendar premiums paid by member-banks	**2 779 554**	2 334 226
	2 779 554	**2 334 226**

7. INVENTORIES

In KZT thousands	**2014**	**2013**
Raw materials	**1 707**	1 753
	1 707	**1 753**

Inventories are not burdened.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. OTHER ASSETS

In KZT thousands	2014	2013
Advances paid for services	**3 946**	7 635
Prepaid expenses	**1 553**	3 689
Receivables from employees	**30**	18
Prepaid taxes, except for CIT	**-**	27
	5 529	**11 369**

9. DEFFERED TAX ASSETS

In KZT thousands	2014	2013
Deferred tax assets	**4 870**	4 038
	4 870	**4 038**

Calculation of changes in temporary differences for 2014 is shown in note 21.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. PROPERTY, PLANT AND EQUIPMENT

a) Initial cost

In KZT thousands	Machinery and equipment, transmission devices	Other	Total
Initial cost as at 31 December 2012	**17 909**	**5 906**	**23 815**
Additions	5 003	841	**5 844**
Return	(1 260)	-	**(1 260)**
Disposal	(18)	(73)	**(91)**
Initial cost as at 31 December 2013	**21 634**	**6 674**	**28 308**
Additions	**3 036**	**806**	**3 842**
Disposal	**(1 113)**	**(247)**	**(1 360)**
Initial cost as at 31 December 2014	**23 557**	**7 233**	**30 790**

b) Accumulated depreciation

In KZT thousands	Machinery and equipment, transmission devices	Other	Total
Accumulated depreciation as at 31 December 2012	**(9 360)**	**(4 513)**	**(13 873)**
Deductions for depreciation	(3 523)	(432)	**(3 955)**
Depreciation on disposals	18	73	**91**
Accumulated depreciation as at 31 December 2013	**(12 865)**	**(4 872)**	**(17 737)**
Deductions for depreciation	**(3 784)**	**(475)**	**(4 259)**
Depreciation on disposals	**1 113**	**225**	**1 338**
Accumulated depreciation as at 31 December 2014	**(15 536)**	**(5 122)**	**(20 658)**

c) Net book value

In KZT thousands	Machinery and equipment, transmission devices	Other	Total
At initial cost	**21 634**	**6 674**	**28 308**
Accumulated depreciation	**(12 865)**	**(4 872)**	**(17 737)**
Net book value as at 31 December 2013	**8 769**	**1 802**	**10 571**
At initial cost	**23 557**	**7 233**	**30 790**
Accumulated depreciation	**(15 536)**	**(5 122)**	**(20 658)**
Net book value as at 31 December 2014	**8 021**	**2 111**	**10 132**

PP&E of the Company have been tested for impairment. Evidence of PP&E impairment at the end of the reporting period is not available. The net book value does not exceed its recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INTANGIBLE ASSETS

a) Initial cost

In KZT thousands	Licenses for computer software	In - progress generated intangible asset	Total
Initial cost as at 31 December 2012	**21 805**	**-**	**21 805**
Additions	17 171	9 456	26 627
Initial cost as at 31 December 2013	38 976	9 456	48 432
Additions	14 761	-	14 761
Disposal	-	(9 456)	(9 456)
Initial cost as at 31 December 2014	53 737	-	53 737

b) Accumulated depreciation

In KZT thousands	Licenses for computer software	In - progress generated intangible asset	Total
Accumulated depreciation as at 31 December 2012	**(11 705)**	**-**	**(11 705)**
Deductions for depreciation	(6 325)	-	(6 325)
Accumulated depreciation as at 31 December 2013	**(18 030)**	**-**	**(18 030)**
Deductions for depreciation	(10 635)	-	(10 635)
Depreciation on disposals	-	-	-
Accumulated depreciation as at 31 December 2014	(28 665)	-	(28 665)

c) Net book value

In KZT thousands	Licenses for computer software	In - progress generated intangible asset	Total
At initial cost	38 976	9 456	48 432
Accumulated depreciation	(18 030)	-	(18 030)
Net book value as at 31 December 2013	20 946	9 456	30 402
At initial cost	53 737	-	53 737
Accumulated depreciation	(28 665)	-	(28 665)
Net book value as at 31 December 2014	25 072	-	25 072

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CHARTER CAPITAL

The sole shareholder of the Company is the National Bank of the Republic of Kazakhstan as at 31 December 2013. The share capital of the Company amounted to 805 255 ordinary shares with a nominal value of 200 000 tenge each, totaling 161 051 000,0 thousand tenge. All shares have been placed in accordance with the register of securities holders.

The new issue of shares have been declared in the amount of 80 525,00 pieces, according to the Certificate of state registration of securities No.A4218 dated 25.11.2014 amounting to 16 105 000,00 thousand tenge.

The Company's share capital amounted to 885 780 ordinary shares of nominal value of 200 000 tenge each, totaling 177 156 000,0 thousand tenge as of 31 December 2014. All shares have been placed in accordance with the register of securities holders.

The ultimate controlling party is the State, as the only participant - National Bank of the Republic of Kazakhstan belongs to the state.

In KZT thousands	**Number of shares (pieces)**	**Charter capital**
As at 31.12.2012.	**732 050**	**146 410 000**
Issued shares	73 205	14 641 000
As at 31.12.2013.	**805 255**	**161 051 000**
Issued shares	80 525	16 105 000
As at 31.12.2014.	**885 780**	**177 156 000**

13. CAPITAL RESERVE

In KZT thousands	**Special reserve**	**Revaluation reserve for financial assets available for sale**	**Reserve capital**	**Total**
As at 31.12.2012.	**126 878 024**	**(2 057 710)**	**1 331 000**	**126 151 314**
Formation of reserve capital from retained earnings	-	-	133 100	**133 100**
Provision for compensation at the expense of retained earnings	19 545 503	-	-	**19 545 503**
Mandatory distribution of income from contributions of member-banks and proceeds from the liquidation commission in the special reserve	25 997 769	-	-	**25 997 769**
Compensation to depositors of liquidated banks	(808)	-	-	**(808)**
Profit (loss) on revaluation of financial assets available for sale	-	1 717 546	-	**1 717 546**
As at 31.12.2013.	**172 420 488**	**(340 164)**	**1 464 100**	**173 544 424**
Formation of reserve capital from retained earnings (5463)	-		146 410	**146 410**
Provision for compensation at the expense of retained earnings	11 670 060	-	-	**11 670 060**
Mandatory distribution of income from contributions of member-banks and proceeds from the liquidation commission in the special reserve	31 305 232	-	-	**31 305 232**
Compensation to depositors of liquidated banks	(925)	-	-	**(925)**
Profit (loss) on revaluation of financial assets available for sale	-	1 598 336	-	**1 598 336**
As at 31.12.2014.	**215 394 855**	**1 258 172**	**1 610 510**	**218 263 537**

In accordance with the Charter of the "Kazakhstan Deposit Insurance Fund" JSC is a non-profit organization. The Company does not distribute profits as dividends, and income transfers to the funds (reserve and compensation).

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. LIABILITIES ON TAXES AND PAYMENTS, EXCEPT FOR CIT

In KZT thousands	2014	2013
Personal Income Tax	1	-
Social Tax	1	-
Liabilities on pension contributions	30	-
	32	-

15. OTHER FINANCIAL LIABILITIES

In KZT thousands	2014	2013
Other financial liabilities	975	6 802
	975	**6 802**

16. OTHER SHORT – TERM LIABILITIES

In KZT thousands	2014	2013
Payables to member-bank on the calendar contributions *	2 305 471	137 980
Liabilities on employee benefits	29 475	13 616
Liabilities on payment for services	5 999	6 523
	2 340 945	158 119

* Payables of the member-bank on calendar premiums are the difference between the amount of prepayments on contributions made by the member-bank before the end of year and the amounts receivable accrued by the Company on the basis of actual contributions for the previous period.

17. NET INTEREST INCOME

In KZT thousands	2014	2013
Interest income and expenses on financial assets		
Income from financial assets available-for-sale (debt instruments)	16 289 958	12 377 187
Income on deposits	44 583	8 590
Income for transactions "reverse repo"	129 563	9 893
Total interest income	16 464 104	12 395 670
Expenses in the form of amortization of premium on financial assets available-for-sale (debt instruments)	(105 126)	(38 570)
Total interest expenses	(105 126)	(38 570)
Total net interest income	16 358 978	12 357 100

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NOTES TO THE FINANCIAL STATEMENTS (continued)

18. NET INCOME FROM CONTRIBUTIONS OF MEMBER-BANK AND PROCEEDS FROM LIQUIDATION COMMISSION

According to the rules in the contract of adhesion, the Company undertakes not to disclose the classification of member-bank by risk exposure of the amount of contributions paid and the proceeds from the liquidation committee to third parties directly or indirectly, including through the financial statements, except to indicate in the financial statements of total amount of revenue.
The total income from contributions of member-bank, the proceeds from liquidation commission and penalties, the cost of compensation to depositors of liquidated banks are listed in the following table:

In KZT thousands	2014	2013
Income from contributions of member-bank	**30 383 853**	25 246 945
Income on proceeds from liquidation commission	**920 000**	748 000
Accrual of penalties	**1 379**	2 824
The costs of compensation to depositors of liquidated banks	**(925)**	(808)
	31 304 307	**25 996 961**

19. INCOME LESS LOSSES FROM REVALUATION OF CURRENCY (NET)

In KZT thousands	2014	2013
Foreign exchange gain	**14 896 481**	6 612 268
Foreign exchange loss	**(3 204 039)**	(5 346 585)
	11 692 442	**1 265 683**

20. OTHER INCOME

In KZT thousands	2014	2013
Other operating income	**1 116**	1 024
	1 116	**1 024**

21. OTHER EXPENSES

In KZT thousands	2014	2013
Loss on disposal of fixed assets	**21**	-
Other operating expenses	**30**	-
	51	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

22. ADMINISTRATIVE EXPENSES

In KZT thousands	2014	2013
Personnel expenses	**233 598**	163 193
Advertising and marketing services	**38 456**	41 134
Trust management expenses of cash	**19 876**	19 802
Expenditures for maintaining the account	**21 710**	17 720
Taxes, except for corporate income tax	**23 609**	16 316
Audit and other services	**1 176**	5 686
Travel and entertainment expenses	**9 874**	10 514
Depreciation and amortization	**14 893**	10 280
Communication services	**2 128**	2 012
Operating lease expenses	**1 783**	1 863
Member's subscription	**2 396**	1 850
Utilities	**3 513**	1 047
Operating costs	**-**	4 194
Transport services	**6 058**	-
Social overhead costs	**4 543**	-
The costs of licensing agreements	**2 464**	-
Expenses for DI	**3 994**	-
Security services	**1 985**	-
Other operating expenses	**13 550**	12 808
	405 606	**308 419**

23. INCOME TAX EXPENSE

Income tax expense is shown as follows:

In KZT thousands	2014	2013
Current income tax expense	**-**	-
Adjustment for current income tax of past years	**-**	163
Expense (economy) on deferred income tax	**(832)**	(1 244)
	(832)	**(1 081)**

Below is reconciliation of contingent and actual expense on income tax:

In KZT thousands	2014	2013
Profit before taxation	**58 945 930**	39 312 349
Officially established rate of income tax	**20%**	20%
Contingent income tax expense	**11 789 187**	7 862 470
Tax effect of non deductible and non-taxable items (permanent differences)	**(11 790 019)**	(7 863 551)
Current income tax expense recognized in the statement of comprehensive income for the year then ended	**(832)**	**(1 081)**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

23. INCOME TAX EXPENSE (continued)

Tax effect of changes in temporary differences for 2014 is shown as follows:

In KZT thousands	As at 31.12.2013.	Reported in the profit and loss	As at 31.12.2014
Deferred tax assets			
Provision for accrued expenses for audit	789	(554)	235
Provision for expenses accrued on vacation and bonuses of employees	2 723	2 645	5 368
PP&E and intangible assets	526	(1 259)	(733)
Total deferred tax asset	**4 038**	**832**	**4 870**

Tax effect of changes in temporary differences for 2013 is shown as follows:

In KZT thousands	As at 31.12.2013.	Reported in the profit and loss	As at 31.12.2014
Deferred tax assets			
Provision for accrued expenses for audit	160	629	789
Provision for expenses accrued on vacation and bonuses of employees	2 392	331	2 723
PP&E and intangible assets	242	284	526
Total deferred tax asset	**2 794**	**1 244**	**4 038**

24. CONTINGENT LIABILITIES AND COMMITMENTS

Guarantee compensation for deposits

The purpose of obligatory deposit insurance system is to ensure the stability of the financial system, including the maintenance of confidence in the banking system through the payment of guaranteed compensation to depositors in case of compulsory liquidation of a member-bank.

According to the "Law on compulsory insurance of deposits placed in the second-tier banks of Kazakhstan", in case of compulsory liquidation of member-banks of obligatory deposit insurance system, the Company assumes the obligation to pay the guaranteed compensation to depositors of the member-bank from the date of entry into force of the court's decision on compulsory liquidation. The Company shall pay to depositors -

Individuals warranty reimbursement of guaranteed deposits in the amount of the balance on deposit without accrued on the deposit fee, but not more than five million tenge.

There was not credit rating «D» ("default") at the date of approval of these financial statements of the member-banks in the system of mandatory deposit insurance .

Litigations

The Company may be subject to different processes and actions in the ordinary course of business.

There were no legal actions affected to the financial statements of the Company as at the date of approval of these financial statements.

Tax contingencies

The Kazakhstani tax system is relatively new, and characterized by frequent changes in legislation, which is often unclear and subject to interpretation by the tax authorities. Taxes are subject to review by authorities, which have the authority to impose severe fines, penalties and interest charges. Fiscal periods remain open for review by the tax authorities for five calendar years following a given tax period; however, under certain circumstances a tax period may remain open for longer of the mentioned above term.

These facts may lead to significant tax risks in Kazakhstan than in other countries. Management based on understanding of tax laws, believes that tax liabilities are reported in full. Nevertheless, the tax authorities may interpret the regulations differently, and if the tax authorities will be able to defend its interpretation, the impact on the financial statements could be material.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

25. RELATED PARTIES TRANSACTION

During consideration of each possible related party, close attention is paid to substance of the relationship, not merely its legal form.

Nature of mutual relations with related parties with whom the Company has performed significant transactions during accounting year or has been significant debt as of 31 December 2014 is shown below:

	Nature of mutual relations with Company
SI «National Bank of the Republic of Kazakhstan (NBRK)»	Parent company - 100% account management services to DHS NBRK; trustee services of cash DMO NBRK; Commission remittances; reimbursement for services BMES, ISMT; holding of electronic payments
Ministry of Finance of the Republic of Kazakhstan (RK Ministry of Finance)	State institution controlled by the parent company, ownership of securities, obtaining investment income
SRE «KISC NBRK»	Organization of the NBRK, access to network of fast
Branch of the SI NB RK "Supply Center activities"	A subsidiary of the NBRK, utilities, operating leases, security services office
"United Registrar of Securities" JSC	A subsidiary of the NBRK, registrar services

Significant related parties' transactions

For 2014:

	Income realized, the costs received, assets		Cash and cash equivalents		Transaction
	Received (acquired)	Realized (rendered)	Paid	Received	
RK Ministry of Finance	97 949 221	35 806 026	97 949 221	35 806 026	Securities transactions, including interest
SI National Bank of RK	-	-	-	-	Securities transactions, including interest
	87 070 583	85 098 583	85 054 000	95 497 603	Placing and return of deposits in NB RK, including interest
RSE «KISC NB RK»	100	-	100	-	Fast services
"Center for support of the National Bank of the Republic of Kazakhstan" JSC	8 154	-	6 880	-	Maintenance services of office
"United Registrar of Securities" JSC	149	-	123	-	Registrar services

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NOTES TO THE FINANCIAL STATEMENTS (continued)

25. RELATED PARTIES TRANSACTION (continued)

For 2013:

	Income realized, the costs received, assets		Cash and cash equivalents		Transaction
	Received (acquired)	Realized (rendered)	Paid	Received	
RK Ministry of Finance	78 545 700	41 530 226	78 545 700	41 530 226	Securities transactions, including interest
SI National Bank of RK	2 493 500	21 064 185	2 493 500	21 064 185	Securities transactions, including interest
	95 469 590	97 910 590	97 902 000	95 468 298	Placing and return of deposits in NB RK, including interest
RSE «KISC NB RK»	83	-	83	-	Fast services
"Center for support of the National Bank of the Republic of Kazakhstan" JSC	7 105	-	7 105	-	Maintenance services of office
"United Registrar of Securities" JSC	94	-	114	-	Registrar services

Compensation of key management personnel includes accrued and unpaid salary, bonuses, compensation for the Chairman of the Foundation, Deputies thereof, and members of the Board of Directors under labor agreement.

Interest information:

	For 2014.		For 2013.	
	Expenses	Liabilities accrued	Expenses	Liabilities accrued
Short – term payments:	**54 463**	**1 846**	**50 993**	**981**
- Wages and short-term bonuses	53 558	-	50 423	-
- Provisions for unused vacation	-	1 846	-	981
- Health insurance	905	-	570	-

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:
- Level 1: prices in active markets for identical assets or liabilities (without any adjustments);
- Level 2: inputs which have a significant effect on the recorded fair value that are not quoted prices, Level 1 components, and observed for the asset or liability, either directly (ie as prices) or indirectly (ie the derivatives from prices);
- Level 3: techniques which use inputs having significant effect on the recorded fair value that are not based on observable market data.

Financial assets available for sale was carried at fair value belong to the Company's financial instruments. These financial assets are government and corporate debt securities (Note 5). The Company has determined the fair value based on quoted market prices in an active market according to Level 1 as at 31 December 2014 and 31December 2013. Below is general information on the fair value of financial assets available for sale, and impact of the adjustments made before fair value (revaluation) of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Data on fair value and effect on the financial statements as of 31 December 2013:

Securities type	Total book value at the balance sheet date	Market value % of the nominal value	Accumulated revaluation included in net book value	Share of revaluation of the total value of securities type
KIK	1 260 164	86,02%	(156 649)	-12,43%
MEKKAM	5 746 562	от 99,26% до 99,81%	14 976	0,26%
MEOKAM	73 357 272	от 95,71% до 101,83%	(214 091)	-0,29%
MEUKAM	172 472 580	от 83,19% до 114,59%	4 824	0,00%
NB Notes	-	-	-	0,00%
USA CB	63 670 184	от 99,88% до 99,98%	10 776	0,00%
Operation "reverse REPO"	12 818 342	-	-	0,00%
	329 325 104	x	**(340 164)**	x

Data on fair value and effect on the financial statements as of 31 December 2014:

Securities type	Total book value at the balance sheet date	Market value % of the nominal value	Accumulated revaluation included in net book value	Share of revaluation of the total value of securities type
KIK	1 299 391	92,81%	(123 649)	-9,25%
MEKKAM	350 312	98,76%	620	0,18%
MEOKAM	72 314 873	100,74%	56 278	0,08%
MEUKAM	258 681 245	103,41%	1 370 486	0,53%
USA CB (short - term)	59 933 560	99,86%	(20 325)	0,03%
USA CB (long - term)	15 472 052	99,82%	(25 238)	-0,16%
	408 051 433		**1 258 172**	

Financial assets available-for-sale is shown at fair value with increase / decrease in other comprehensive income as of December 31, 2014.
The carrying value of cash of other financial assets and liabilities approximate their fair value due to the short term nature of these financial instruments. The Company determined the fair value according to the Level 3.

27. FINANCIAL AND OPERATIONAL RISK MANAGEMENT POLICIES

The Company understands its activity risks as possibility of losses arising from the implementation of activities by the Company. Risk management is carried out in accordance with the Company's internal documents on risk management. The Company's management monitors risk management regularly.

Types of risks faced by the Company:
1.Operational risk - the risk is received directly in the normal course of business to obtain the mandatory calendar premiums of the member-bank and insure deposits in case of liquidation. This risk arises from systems' failure, human error, fraud or external events. When control systems fail to perform, operational risks can cause damage to reputation, and have legal implications or lead to financial loss. Society cannot suppose that all operational risks were eliminated, but through a control system and by monitoring, and responding to potential risks, the Company can manage the risks. Control system include effective segregation of duties, access right, authorization and reconciliation procedures, staff education and assessment processes.

*2. **Financial risks*** are different kinds of risks that directly or indirectly affect the investment management of the Company. They refer to the execution, return, liquidity and investment structure of the Company and include:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27. FINANCIAL AND OPERATIONAL RISK MANAGEMENT POLICIES (continued)

2.1. Market risk is a risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. The Company manages market risk through periodic estimation of potential losses that may arise due to adverse changes in market conditions.
Market risk includes *currency risk, interest rate risk and other price risk.*

Currency risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's operations are carried out mainly in the territory of the Republic of Kazakhstan. Nevertheless, the part of financial assets denominated in US dollars. In order to minimize currency risk, the National Bank of the Republic of Kazakhstan - responsible for the management of assets and liabilities shall take appropriate action within investment policy and Investment strategy of the Company approved by Board of Directors.

Volatility of foreign currency to tenge is an external factor on which the Company cannot influence. Currency risk is managed by reducing or increasing the open currency position.
Financial assets and liabilities denominated in the following currencies as of 31 December 2014 and 31 December 2013:

	As at 31.12.2014.			As at 31.12.2013.		
	Total	**KZT**	**US dollars**	**Total**	**KZT**	**US dollars**
Cash and cash equivalents	5 875 525	5 875 248	277	6 244 345	6 235 824	8 521
Financial assets available for sale	408 051 433	332 645 821	75 405 612	329 325 104	265 654 920	63 670 184
Other financial assets	2 779 554	2 779 554	-	2 335 487	2 335 487	-
Total financial assets	**416 706 512**	**341 300 623**	**75 405 889**	**337 904 936**	**274 226 231**	**63 678 705**
Other financial liabilities	975	975	-	6 802	6 802	-
Total financial liabilities	**975**	**975**	-	**6 802**	**6 802**	-
Net currency position	**416 705 537**	**341 299 648**	**75 405 889**	**337 898 134**	**274 219 429**	**63 678 705**

Financial position and cash flows of the Company are exposed to fluctuations in the US dollar exchange.
The following table presents the estimated sensitivity analysis of the Company's profit before tax (due to possible changes in the fair value of monetary assets and liabilities) to possible changes in the exchange rate of the US dollar, subject to the immutability of all other variables:

Currency	**For 2014.**	
	Increase/decrease of basis items	**Increase/decrease of basis items**
USD	+5%	3 770 294
	-5%	(3 770 294)

Currency	**For 2013.**	
	Increase/decrease of basis items	**Increase/decrease of basis items**
USD	+5%	3 183 935
	-5%	(3 183 935)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27. FINANCIAL AND OPERATIONAL RISK MANAGEMENT POLICIES (continued)

Sensitivity analysis does not take into account that the Company may actively manage their assets and liabilities. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company on potential changes in the market which cannot be predicted with any degree of certainty. And assumption that all interest rates or exchange rates move in an identical manner.

Interest rate risk is risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.
The Company monitors its interest rate risk regularly. The Company's management using the results of the analysis makes decisions regarding the operations of the Company or during assessing of risk cost for decisions on interest rate risk management.
Currently, the Company's management approach to limitation of interest rate risk is to invest in highly liquid financial instruments with state-fixed-fee, except for corporate securities with floating interest rates of "Mortgage organization" Kazakhstan Mortgage Company" JSC with nominal value of 1,400,000 thousand tenge. The share of financial instruments with floating interest rate is less than one percent of the total portfolio of financial instruments.

2.2. ***Credit risk*** is risk of losses due to non-payment by the borrower of financial instrument (the issuer) of principal and interest owed to the lender (investor) to set the terms of issue of the security term (bonds, government bonds).
Credit risk also includes the risk of losses arising from defaults on the delivery of securities or payment of the counterparty on transaction.
The objective of credit risk management is limitation exposure of the Company to this kind of risk within the limits set by the Board of Directors, using collective decisions, internal controls and other procedures that limit credit risk.
An important element of credit risk management is investment strategy developed by the Company, which is an integral part of the asset management agreement with the management company. It is also basic postulate of investing in highly liquid assets, namely in government securities operations "REPO" and "reverse REPO" deposits of the National Bank of the Republic of Kazakhstan, agency bonds "Kazakhstan Mortgage Company" JSC currency and short-term government securities of countries with a rating of at least "AA" (Standard & Poor`s), "Aa2" (Moody`s).

Receivables from member-banks on mandatory calendar premiums
On 31 December 2014, the Company had 37 member-banks (2013 - 35 member-banks), five of which were in arrears more than 100,000 thousand tenge, which is 90.06% of the total receivables (2013 thirteen of which were in arrears more than 100,000 thousand tenge, which is 99.97% of the total receivables).
Financial assets in the statement of financial position, the maximum exposure equal to the carrying value of those assets prior to any offset or collateral are shown as follows Provision of financial assets is not provided.

	As at 31.12.2014.	As at 31.12.2013.
Cash and cash equivalents		
Cash on accounts in banks	9 218	27 970
Financial assets available for sale		
Corporate bonds KIK (Note 5)	1 299 391	1 260 164
Other financial assets		
Amounts receivable from member-banks of mandatory calendar premiums (Note 6)	2 779 554	2 334 226
	4 088 163	**3 622 360**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27. FINANCIAL AND OPERATIONAL RISK MANAGEMENT POLICIES (continued)

Cash and cash equivalents
Below are ratings and balances of cash and cash equivalents on current and deposit accounts:
As of 31 December 2014:

	Deposits with an original maturity less than three months	Cash in current bank accounts	Cash on corporate card accounts	Cash at investment bank accounts	Total
Undue and no depreciated					
- National Bank of the Republic of Kazakhstan (NB RK) with rating «BBB+»	1 428 000	4 437 789	-	518	5 866 307
- «Kazkommercebank» JSC – with rating «B»	-	-	624	-	624
- «Bankcentercredit» JSC – with rating «B»	-	8 497	97	-	8 594
	1 428 000	**4 446 286**	**721**	**518**	**5 875 525**

As of 31 December 2013:

	Deposits with an original maturity less than three months	Cash in current bank accounts	Cash on corporate card accounts	Cash at investment bank accounts	Total
Undue and no depreciated					
- National Bank of the Republic of Kazakhstan (NB RK) with rating «BBB+»	3 400 000	2 800 060	-	16 315	6 216 375
- «Kazkommercebank» JSC – with rating «B»	-	-	731	-	731
- «Bankcentercredit» JSC – with rating «B»	-	27 142	97	-	27 239
	3 400 000	**2 827 202**	**828**	**16 315**	**6 244 345**

Credit rating awarded to Kazakhstan as at 31 December 2014 and 31 December 2013 according to estimates of the Ratings Services «Standards and Poor's» is "BBB +". Since the NBRK is a state institution, the rating of the National Bank equates to the country. These balances are considered undue and no depreciated as at 31 December 2014 and 31 December 2013.

2.3. Liquidity risk is risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company evaluates the need for liquidity regularly, and management ensures the availability of funds in an amount sufficient to perform any upcoming obligations.
The main objective of liquidity risk management is maintaining an adequate level of special reserve to cover obligations to depositors. The required level of the special reserve is calculated according to internal documents of the Company. The main source of the special reserve is mandatory contributions of member-banks of the Deposit Insurance System.

28. CAPITAL MANAGEMENT

The main objective of the Company's capital management is to ensure the ability to continue as a going concern in order to maintain its optimum structure and stability of the financial system, the implementation of compulsory deposit insurance.
The amount of capital which is controlled by the Company amounted to 414 561 991 thousand tenge as at 31 December 2014 (as at 31 December 2013 amounted to 337 911 893 thousand tenge).
Capital of the Company in accordance with the investment strategy is invested in highly liquid financial assets. The provisions of the Company's investment strategy are subject to annual review, correction and approval.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. CAPITAL MANAGEMENT (continued)

Tracking of equity and debt for the purpose of capital controls necessary for the implementation of compulsory deposit insurance is performed by the Company's shareholder - National Bank of the Republic of Kazakhstan on the basis of the Law "On mandatory insurance of deposits placed in second-tier banks of the Republic of Kazakhstan."

29. SUBSEQUENT EVENTS

There were no significant events occurred in financial and operational activities of the Company which entailed changes in the value of assets and liabilities.

30. ADOPTION OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2014 approved by management on 20 February 2015 for issue on behalf of its management were signed by:

Chairman B.B.Kogulov.

Chief Accountant E.M.Amirbekova.

Сериясы МФЮ-2

№ 0000069

МЕМЛЕКЕТТІК ЛИЦЕНЗИЯ

Аудиторлық қызметпен айналысуға «UHY SAPA Consulting»
жауапкершілігі шектеулі серіктестігіне
Алматы облысы Қарасай ауданы Рахат с. СТН 090500030656
берілді.
Қазақстан Республикасының бүкіл аумағында қолданылу мерзімі шектеусіз бас лицензия.
Лицензияны берген орган Қазақстан Республикасының
Қаржы министрлігі.
Қаржылық бақылау комитеті
Бейсембаев М.Т.

2010 жылғы "5" қазан Астана қаласы

Серия МФЮ-2

№ 0000069

ГОСУДАРСТВЕННАЯ ЛИЦЕНЗИЯ

Товариществу с ограниченной ответственностью
«UHY SAPA Consulting»
Алматинская область Карасайский район с. Рахат
РНН 090500030656
на занятие аудиторской деятельностью.
Генеральная лицензия без ограничения срока действия на всей территории Республики Казахстан.
Орган, выдавший лицензию Министерство финансов
Республики Казахстан
Комитет финансового контроля
Бейсембаев М.Т.

"5" октября 2010 г. Город Астана

ДЛЯ ОТЧЕТОВ
UHY SAPA CONSULTING