JSC AB "Bank of China in Kazakhstan"

Financial Statements
for the year ended 31 December 2012

Contents

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Independent Auditors' Report

To the Board of Directors of JSC AB "Bank of China in Kazakhstan"

We have audited the accompanying financial statements of JSC AB "Bank of China in Kazakhstan" (the "Bank"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kim Y.V.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No.MФ-0000042 of 8 August 2011

KPMG Audit LLC

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

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

1 March 2013

	Note	2012 KZT'000	2011 KZT'000
Interest income	4	743,736	624,583
Interest expense	4	(54,011)	(17,836)
Net interest income		**689,725**	**606,747**
Fee and commission income	5	1,561,287	1,483,242
Fee and commission expense	6	(32,332)	(28,112)
Net fee and commission income		**1,528,955**	**1,455,130**
Net foreign exchange income	7	498,458	474,097
Other operating income		999	3,059
Operating income		**2,718,137**	**2,539,033**
General administrative expenses	8	(685,392)	(592,209)
Profit before income tax		**2,032,745**	**1,946,824**
Income tax expense	9	(361,109)	(332,918)
Profit and total comprehensive income for the year		**1,671,636**	**1,613,906**

The financial statements as set out on pages 5 to 43 were approved by the Board of Directors on 1 March 2013:

Tian Wei
Chairman of the Board

Usenova Z.S.
Chief Accountant

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

	Note	2012 KZT'000	2011 KZT'000
ASSETS			
Cash and cash equivalents	10	43,907,386	43,975,732
Mandatory reserve with the National Bank of the Republic of Kazakhstan		1,282,719	1,166,306
Loans to customers	11	13,890,351	4,360,783
Held-to-maturity investments	12	1,805,798	8,513,567
Property, equipment and intangible assets	13	2,765,619	2,527,793
Deferred tax assets	9	3,061	5,194
Other assets	14	81,835	240,698
Total assets		**63,736,769**	**60,790,073**
LIABILITIES			
Deposits and balances from banks	15	1,038,513	128,327
Current accounts and deposits from customers	16	47,832,323	47,510,596
Other liabilities		75,000	31,853
Total liabilities		**48,945,836**	**47,670,776**
EQUITY			
Share capital	17	5,485,008	5,485,008
Share premium		89,144	89,144
Statutory reserve		2,161,714	2,000,324
Retained earnings		7,055,067	5,544,821
Total equity		**14,790,933**	**13,119,297**
Total liabilities and equity		**63,736,769**	**60,790,073**
Commitments and contingencies	20-21		

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

	2012 KZT'000	2011 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	728,038	625,369
Interest payments	(48,195)	(16,428)
Fee and commission receipts	1,565,440	1,547,793
Fee and commission payments	(31,062)	(27,099)
Net receipts from foreign exchange	496,726	467,103
Other income receipts	999	3,059
General administrative expenses	(566,079)	(522,306)
(Increase)/decrease in operating assets		
Mandatory reserve with the National Bank of the Republic of Kazakhstan	(116,413)	(506,831)
Loans to customers	(9,524,809)	(1,528,993)
(Decrease)/increase in operating liabilities		
Deposits and balances from banks	910,186	(246,037)
Current accounts and deposits from customers	328,015	4,087,698
Net cash (used in)/from operating activities before income tax paid	**(6,257,154)**	**3,883,328**
Income tax paid	(358,976)	(334,310)
Cash flows (used in)/from operations	**(6,616,130)**	**3,549,018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of held-to-maturity investments	(2,966,400)	(10,214,097)
Maturity of held-to-maturity investments	9,686,840	10,478,054
Purchases of property and equipment and intangible assets	(160,552)	(2,034,886)
Sales of property and equipment	-	2,647
Cash flows (from)/used in investing activities	**6,559,888**	**(1,768,282)**
Net (decrease)/increase in cash and cash equivalents	**(56,242)**	**1,780,736**
Effect of changes in exchange rates on cash and cash equivalents	(12,104)	(70,304)
Cash and cash equivalents as at the beginning of the year	43,975,732	42,265,300
Cash and cash equivalents as at the end of the year (Note 10)	**43,907,386**	**43,975,732**

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

KZT'000	Share capital	Share premium	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2011	5,485,008	89,144	651,173	5,280,066	11,505,391
Profit and total comprehensive income for the period	-	-	-	1,613,906	1,613,906
Transfer to statutory reserve	-	-	1,349,151	(1,349,151)	-
Balance as at 31 December 2011	**5,485,008**	**89,144**	**2,000,324**	**5,544,821**	**13,119,297**
Balance as at 1 January 2012	5,485,008	89,144	2,000,324	5,544,821	13,119,297
Profit and total comprehensive income for the period	-	-	-	1,671,636	1,671,636
Transfer to statutory reserve	-	-	161,390	(161,390)	-
Balance as at 31 December 2012	**5,485,008**	**89,144**	**2,161,714**	**7,055,067**	**14,790,933**

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

1 Background

(a) Organisation and operations

Joint Stock Company Affiliate Bank "Bank of China in Kazakhstan" ("the Bank") was established on 19 April 1993 as "Bank of China in Almaty". On 19 December 1997, the Bank was re-registered as Close Joint Stock Company Subsidiary Bank "Bank of China in Kazakhstan". On 4 May 2005, the Bank was re-registered as Joint Stock Company Affiliate Bank "Bank of China in Kazakhstan".

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending and issuing guarantees, cash and settlement operations, and operations with securities and foreign exchange. The activities of the Bank are regulated by Committee for the Control and Supervision of the Financial Market and Financial Organisations ("the FMSC") of the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank has a banking license No 181 received on 31 January 2006 from the FMSC. The Bank is a member of the state deposit insurance system in the Republic of Kazakhstan.

On 24 December 2008 the Parent Bank obtained the status of banking holding of JSC AB "Bank of China in Kazakhstan" from the FMSC. The change in status resulted from amendments to regulations effective from 23 October 2008, in accordance with which, nonresident banks with majority of capital owned in resident bank of the Republic of Kazakhstan can have status of banking holding.

The registered address of the Bank is 201, Gogol Street, Almaty. The Bank has one branch in Almaty and one in Aktobe city.

The average number of people employed during the year was 104 (2011: 94).

The Bank is wholly-owned by the Bank of China Limited (the "Shareholder" or the "Parent Bank") located in the People's Republic of China, Beijing. The activities of the Bank are closely linked with the requirements of the Shareholder and determination of the pricing of the Bank's services to the Shareholder and other related parties is undertaken in conjunction with other Shareholder banks. Related party transactions are detailed in Note 22.

(b) Kazakhstan business environment

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

2 Basis of preparation

(a) Statement of compliance

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

2 Basis of preparation, continued

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 11 – loan impairment estimates.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. The mandatory reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3 Significant accounting policies, continued

(c) Financial instruments

(i) Classification

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

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

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

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

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

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

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

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

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

(ii) Recognition

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

(iii) Measurement

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

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

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

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

(iv) Amortised cost

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

(v) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(v) Fair value measurement principles, continued

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

(vi) Gains and losses on subsequent measurement

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

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

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(vii) Derecognition

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

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

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

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

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

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

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

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

(ix) Offsetting

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

(d) Property and equipment

(i) Owned assets

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

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

3 Significant accounting policies, continued

(d) Property and equipment, continued

(ii) Depreciation

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

- buildings	50 years;
- computers	4 to 5 years;
- furniture	7 years;
- vehicles	15 years;
- other	5 to 15 years.

(e) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 7 years.

(f) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of cash equivalents, loans, held-to-maturity securities and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

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

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

3 Significant accounting policies, continued

(f) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

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

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

(ii) Non financial assets

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

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

(g) Credit related commitments

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

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

3 Significant accounting policies, continued

(g) Credit related commitments, continued

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

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

Loan commitments are not recognised, except for the following:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss

- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments

- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument

- commitments to provide a loan at a below-market interest rate.

(h) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(i) Taxation

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 Significant accounting policies, continued

(i) Taxation, continued

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

(j) Income and expense recognition

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

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

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

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

(k) New standards and interpretations not yet adopted

A number of new Standards, amendments to standards and interpretations are not yet effective as at 31 December 2012, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Bank does not intend to adopt this standard early.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.

3 Significant accounting policies, continued

(k) New standards and interpretations not yet adopted, continued

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2013. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2012 KZT'000	2011 KZT'000
Interest income		
Held-to-maturity investments	149,520	253,211
Loans to customers	430,956	301,194
Cash and cash equivalents:		
- Due from the National Bank of the Republic of Kazakhstan - deposits with original maturities of less than three months	127,342	54,885
- Placements with banks – nostro accounts	35,918	15,293
	743,736	**624,583**
Interest expense		
Current accounts and deposits from customers	(53,954)	(17,836)
Deposits and balances from banks	(57)	-
	689,725	**606,747**

5 Fee and commission income

	2012 KZT'000	2011 KZT'000
Agency services	1,053,335	1,064,048
Settlement	365,788	339,941
Cash withdrawal	76,362	41,906
Guarantee and letter of credit issuance	29,084	9,754
Client account maintenance	7,605	7,770
Other	29,113	19,823
	1,561,287	**1,483,242**

5 Fee and commission income, continued

During the year ended 31 December 2012, fee income for agency services in the amount of KZT 915.579 thousand (2011: KZT 992,617 thousand) relate to commissions earned by the Bank for acting as an agent for loans issued by the Bank of China Cayman Islands. The Bank provides services for administration of loans issued to corporate customers, which are residents of the Republic of Kazakhstan. The Bank does not bear any credit risk related to loans issued by Bank of China Cayman Islands. Accordingly, related loans are not recognised in the Bank's financial statements.

6 Fee and commission expense

	2012 KZT'000	2011 KZT'000
Settlement	11,045	10,682
Kazakhstan stock exchage membership	10,965	7,421
Deposit insurance fund contributions	8,127	4,641
Brokerage services	1,990	2,658
Cash operations	205	227
Other	-	2,483
	32,332	**28,112**

7 Net foreign exchange income

	2012 KZT'000	2011 KZT'000
Net gain on spot transactions	496,726	467,103
Gain from revaluation of financial assets and liabilities	1,732	6,994
	498,458	**474,097**

8 General administrative expenses

	2012 KZT'000	2011 KZT'000
Employee compensation	299,637	276,262
Communications and information services	90,765	83,964
Depreciation and amortisation	77,321	50,320
Taxes other than on income	67,038	43,808
Repairs and maintenance	40,372	35,487
Security	35,581	31,102
Professional services	18,511	15,010
Travel expenses	17,270	20,869
Rent expenses	8,986	8,986
Representation expenses	6,228	19,925
Transportation expenses	1,980	2,363
Advertising and marketing	578	694
Other	21,125	3,419
	685,392	**592,209**

9 Income tax expense

	2012 KZT'000	2011 KZT'000
Current tax expense		
Current year	385,573	374,391
Over provided in prior years	(26,597)	(40,081)
	358,976	**334,310**
Deferred tax expense		
Reversal of temporary differences	2,133	(1,392)
Total income tax expense	**361,109**	**332,918**

In 2012, the applicable tax rate for current and deferred tax is 20% (2011:20%).

Reconciliation of effective tax rate:

	2012 KZT'000	%	2011 KZT'000	%
Profit before taxes	**2,032,745**	**100**	**1,946,824**	**100**
Income tax at the applicable tax rate	406,549	20.00	389,365	20.00
Non-taxable income from government securities	(16,254)	(0.80)	(50,642)	(2.60)
Non-deductable costs	(2,589)	0.13	34,276	1.76
Over provided in prior years	(26,597)	(1.31)	(40,081)	(2.06)
	361,109	**17.76**	**332,918**	**17.10**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2012 and 2011. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods. These future tax benefits are not recognised due to uncertainties concerning their realisation.

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

Movements in temporary differences during the years ended 31 December 2012 and 2011 are presented as follows:

KZT'000	Balance 1 January 2012	Recognised in profit or loss	Balance 31 December 2012
Property and equipment	2,052	(1,629)	423
Other liabilities	3,142	(504)	2,638
	5,194	**(2,133)**	**3,061**

KZT'000	Balance 1 January 2011	Recognised in profit or loss	Balance 31 December 2011
Property and equipment	2,521	(469)	2,052
Other liabilities	1,281	1,861	3,142
	3,802	**1,392**	**5,194**

10 Cash and cash equivalents

	2012 KZT'000	2011 KZT'000
Cash on hand	309,808	263,328
Due from the the National Bank of the Republic of Kazakhstan		
- Nostro account	25,473,047	16,195,549
- Term deposits with original maturities of less than three months	9,000,625	11,001,181
Placements with banks – nostro accounts		
- rated A- to A+	10,346,998	17,681,256
- not rated	59,627	724
Mandatory reserve requirements with the National Bank of the Republic of Kazakhstan	(1,282,719)	(1,166,306)
	43,907,386	**43,975,732**

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

Under Kazakhstan legislation, the Bank is required to maintain certain obligatory reserves, which are computed as percentage of certain liabilities of the Bank. The mandatory reserve requirements with the National Bank of the Republic of Kazakhstan are not considered to be cash equivalents for purpose of the cash flow statement due to restrictions on its withdrawability.

None of the cash equivalents are impaired or past due.

Significant credit exposures

As at 31 December 2012 and 2011 the Bank has two banks, whose balances exceed 10% of total equity. The gross value of these balances as at 31 December 2012 and 2011 amounted to KZT 43,717,253 thousand and KZT 44,134,546 thousand, respectively.

11 Loans to customers

	2012 KZT'000	2011 KZT'000
Loans to corporate customers		
Loans to large corporates	11,403,663	1,402,246
Loans to small and medium size companies	1,952,029	2,758,927
Total commercial loans	**13,355,692**	**4,161,173**
Loans to individuals		
Mortgage loans	340,592	76,323
Consumer loans	194,067	123,287
Total loans to individuals	**534,659**	**199,610**
	13,890,351	**4,360,783**

(a) Credit quality of loan portfolio

As at 31 December 2012 and 2011 all loans to customers are neither past due nor impaired.No collective provision was recognised in respect of loans to customers as all possible risks have been considered in individual impairment test and the Bank does not have history of losses on loans issued to customers. Accordingly, no impairment is provided.

Change in estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by minus one percent, the impairment allowance on loans to customers as at 31 December 2012 would be KZT 138,904 thousand higher (31 December 2010: KZT 43,608 thousand).

11 Loans to customers, continued

(b) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers by types of collateral:

31 December 2012 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Fair value of collateral not determined
Loans without individual signs of impairment				
Real estate	2,836,765	1,084,915	1,751,850	-
Corporate guarantees from related party (Rated A)	9,003,375	-	-	9,003,375
No collateral or other credit enhancement	1,515,552	-	-	1,515,552
Total loans without individual signs of impairment	13,355,692	1,084,915	1,751,850	10,518,927
Total loans to corporate customers	**13,355,692**	**1,084,915**	**1,751,850**	**10,518,927**

31 December 2011 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Fair value of collateral not determined
Loans without individual signs of impairment				
Real estate	2,630,995	1,278,499	1,352,496	-
No collateral or other credit enhancement	1,530,178	-	-	1,530,178
Total loans without individual signs of impairment	4,161,173	1,278,499	1,352,496	1,530,178
Total loans to corporate customers	**4,161,173**	**1,278,499**	**1,352,496**	**1,530,178**

The tables above are presented on the basis of excluding overcollateralization.

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

11 Loans to customers, continued

(b) Analysis of collateral and other credit enhancements, continued

(ii) Loans to individuals

Loans to individuals are secured by housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80%.

The following tables provides information on real estate collateral securing loans to individuals, net of impairment:

31 December 2012 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Fair value of collateral not determined
Not overdue loans	534,659	138,179	393,180	3,300
Total mortgage loans	**534,659**	**138,179**	**393,180**	**3,300**

31 December 2011 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral assessed as of loan inception date	Fair value of collateral not determined
Not overdue loans	199,610	78,682	120,928	-
Total mortgage loans	**199,610**	**78,682**	**120,928**	**-**

The table above is presented on the basis of excluding overcollateralization.

For certain loans to individuals the Bank updates the appraised values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Bank may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment. For the remaining loans to individuals the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

(c) Industry and geographical analysis of the loan portfolio

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

	2012 KZT'000	2011 KZT'000
Industry	10,959,293	1,307,572
Manufacturing	1,063,648	216,585
Trade	858,355	800,277
Loans to individuals	534,659	199,610
Construction	474,396	1,836,739
	13,890,351	**4,360,783**

11 Loans to customers, continued

(d) Significant credit exposures

As at 31 December 2012 the Bank had one borrower (2011: none), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2012 are KZT 9,003,375 thousand (2011: nil).

(e) Loan maturities

The maturity of the loan portfolio is presented in Note 18, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the term based on contractual terms.

12 Held-to-maturity investments

	2012 KZT'000	2011 KZT'000
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	997,759	3,049,386
Bonds issued by the National Bank of the Republic of Kazakhstan	808,039	5,464,181
	1,805,798	**8,513,567**

None of the held-to-maturity investments are impaired or past due.

13 Property, equipment and intangible assets

KZT'000	Land and buildings	Computers	Furniture	Vehicles	Other	Computer software	Total
Cost							
Balance at 1 January 2012	2,615,063	17,159	13,851	45,994	23,004	30,152	2,745,223
Additions	226,108	15,346	19,847	-	48,127	8,870	318,298
Transfer	-	-	-	-	(3,151)	-	(3,151)
Balance at 31 December 2012	**2,841,171**	**32,505**	**33,698**	**45,994**	**67,980**	**39,022**	**3,060,370**
Depreciation and amortisation							
Balance at 1 January 2012	155,113	6,240	2,891	22,126	9,196	21,864	217,430
Depreciation and amortisation for the year	51,861	5,326	2,643	8,747	6,255	2,489	77,321
Balance at 31 December 2012	**206,974**	**11,566**	**5,534**	**30,873**	**15,451**	**24,353**	**294,751**
Carrying amount							
At 31 December 2012	**2,634,197**	**20,939**	**28,164**	**15,121**	**52,529**	**14,669**	**2,765,619**
Cost							
Balance at 1 January 2011	743,989	13,935	14,538	41,864	21,712	28,313	864,351
Additions	1,871,074	6,954	7,651	10,969	7,521	1,839	1,906,008
Disposals	-	(3,730)	(8,338)	(6,839)	(6,229)	-	(25,136)
Balance at 31 December 2011	**2,615,063**	**17,159**	**13,851**	**45,994**	**23,004**	**30,152**	**2,745,223**
Depreciation and amortisation							
Balance at 1 January 2011	125,398	6,721	9,644	19,251	10,914	19,458	191,386
Depreciation and amortisation for the year	29,715	3,249	1,585	8,854	4,511	2,406	50,320
Disposals	-	(3,730)	(8,338)	(5,979)	(6,229)	-	(24,276)
Balance at 31 December 2011	**155,113**	**6,240**	**2,891**	**22,126**	**9,196**	**21,864**	**217,430**
Carrying amount							
At 31 December 2011	**2,459,950**	**10,919**	**10,960**	**23,868**	**13,808**	**8,288**	**2,527,793**

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2012 (2011: nil).

14 Other assets

	2012 KZT'000	2011 KZT'000
Not impaired or past due		
Receivables on agency services	71,359	75,517
Total other financial assets	**71,359**	**75,517**
Prepayments	7,389	161,706
Materials and supplies	2,581	2,955
Other	506	520
Total other non-financial assets	**10,476**	**165,181**
	81,835	**240,698**

As at 31 December 2012 and 2011 the Bank had no debtors, whose balances exceed 10% of equity.

None of other assets are impaired or past due.

15 Deposits and balances from banks

	2012 KZT'000	2011 KZT'000
Vostro accounts	963,143	128,327
Term deposits	75,370	-
	1,038,513	**128,327**

As at 31 December 2012 and 2011 the Bank had no banks, whose balances exceed 10% of equity.

16 Current accounts and deposits from customers

	2012 KZT'000	2011 KZT'000
Current accounts and demand deposits		
- Retail	1,700,339	1,962,130
- Corporate	40,466,706	35,487,530
Term deposits		
- Retail	2,132,856	521,942
- Corporate	3,532,422	9,538,994
	47,832,323	**47,510,596**

Blocked amounts

As at 31 December 2012, the Bank maintained customer deposit balances of KZT 402,548 thousand (2011: KZT 554,020 thousand) that serve as collateral for off-balance sheet credit instruments granted by the Bank.

Concentrations of current accounts and customer deposits

As at 31 December 2012 and 2011, the Bank had seven customers, whose balances exceed 10% of equity. These balances as at 31 December 2012 and 2011 were KZT 29,006,369 thousand and KZT 22,859,733 thousand, respectively.

17 Share capital

(a) Issued capital and share premium

The authorised, issued and outstanding share capital comprises 5,150 ordinary shares (2011: 5,150 ordinary shares). All shares have a nominal value of KZT 1,065,050.

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

(b) Statutory reserve

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

During 2012, the shareholders approved to transfer KZT 161,390 thousand from retained earnings to this statutory reserve (2011: KZT 1,349,151 thousand).

The statutory reserve is non-distributable.

(c) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared. No dividends were declared for 2012 and 2011.

18 Risk management

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

(a) Risk management policies and procedures

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

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

18 Risk management, continued

(a) Risk management policies and procedures, continued

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

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

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

(b) Market risk

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

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

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

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

Interest rate risk

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

Interest rate gap analysis

As at 31 December 2012 and 2011 the Bank has no floating rate instruments and accordingly maturity analysis by expected maturities coincides with interest rate repricing analysis.

18 Risk management, continued

(b) Market risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2012 and 2011. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2012 Average effective interest rate, %			2011 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents:						
- Due from the National Bank of the Republic of Kazakhstan - term deposits with original maturity less than three months	0.5	-	-	0.67	-	-
- Nostro account with other banks	-	0.03	-	-	0.04	-
Loans to customers:			-			
- Loans to legal entities	8.11	5.27	-	10.04	5.78	-
- Loans to individuals	11.20	9.68	-	10.84	8.97	-
Held-to-maturity investments	2.90	-	-	2.93	-	-
Interest bearing liabilities						
Current accounts and deposits from customers						
- Term deposits	3.23	1.24	0.19	1.99	0.58	0.61

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of the Bank's profit or loss for the year (net of taxes) and equity to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2012 and 2011 is as follows:

	2012		2011	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel rise	132,419	132,419	182,510	182,510
100 bp parallel fall	(132,419)	(132,419)	(182,510)	(182,510)

18 Risk management, continued

(b) Market risk, continued

Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

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

	KZT KZT'000	USD KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	15,939,770	27,814,615	153,001	43,907,386
Mandatory reserve with the National Bank of the Republic of Kazakhstan	1,282,719	-	-	1,282,719
Loans to customers	12,797,185	1,093,166	-	13,890,351
Held-to-maturity investments	1,805,798	-	-	1,805,798
Other financial assets	15,317	56,042	-	71,359
Total assets	**31,840,789**	**28,963,823**	**153,001**	**60,957,613**
LIABILITIES				
Deposits and balances from banks	48,370	977,195	12,948	1,038,513
Current accounts and deposits from customers	21,275,163	26,434,921	122,239	47,832,323
Total liabilities	**21,323,533**	**27,412,116**	**135,187**	**48,870,836**
Net position as at 31 December 2012	**10,517,256**	**1,551,707**	**17,814**	**12,086,777**

Assets and liabilities of the Bank in other currencies are mainly denominated in Chinese Yuan.

18 Risk management, continued

(b) Market risk, continued

Currency risk, continued

The following table shows the currency structure of financial assets and liabilities as at 31 December 2011:

	KZT KZT'000	USD KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	18,758,537	20,673,051	4,544,144	43,975,732
Mandatory reserve with the National Bank of the Republic of Kazakhstan	1,166,306	-	-	1,166,306
Loans to customers	2,779,258	1,581,525	-	4,360,783
Held-to-maturity investments	8,513,567	-	-	8,513,567
Other financial assets	14,772	60,745	-	75,517
Total assets	**31,232,440**	**22,315,321**	**4,544,144**	**58,091,905**
LIABILITIES				
Deposits and balances from banks	24,000	104,327	-	128,327
Current accounts and deposits from customers	20,763,226	22,220,233	4,527,137	47,510,596
Total liabilities	**20,787,226**	**22,324,560**	**4,527,137**	**47,638,923**
Net position as at 31 December 2011	**10,445,214**	**(9,239)**	**17,007**	**10,452,982**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2012 and 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2012		2011	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
10% appreciation of USD against KZT	124,137	124,137	(739)	(739)
10% appreciation of other currency against KZT	1,425	1,425	1,361	1,361

A strengthening of the KZT against the above currencies at 31 December 2012 and 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

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

18 Risk management, continued

(c) Credit risk, continued

The credit policy establishes:

- procedures for review and approval of loan/credit applications
- methodology for the credit assessment of borrowers (corporate and individual)
- methodology for the credit assessment of counterparties
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

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

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

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

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

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

	2012 KZT'000	2011 KZT'000
ASSETS		
Cash equivalents	43,597,578	43,712,404
Mandatory reserve with the National Bank of the Republic of Kazakhstan	1,282,719	1,166,306
Loans to customers	13,890,351	4,360,783
Held-to-maturity investments	1,805,798	8,513,567
Other financial assets	71,359	75,517
Total maximum exposure	**60,647,805**	**57,828,577**

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

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 20.

18 Risk management, continued

(c) Credit risk, continued

As at 31 December 2012 and 2011 the Bank had two debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for these customers as at 31 December 2012 and 2011 were KZT 44,835,713 thousand and KZT 45,123,028 thousand, respectively.

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

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

The liquidity management policy requires:

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

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

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

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross amount inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

18 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	1,038,513	-	-	-	-	1,038,513	1,038,513
Current accounts and deposits from customers	47,539,531	244,946	36,461	13,372	-	47,834,310	47,832,323
Total liabilities	**48,578,044**	**244,946**	**36,461**	**13,372**	**-**	**48,872,823**	**48,870,836**
Credit related commitments	**23,762,244**	**-**	**-**	**-**	**-**	**23,762,244**	**23,762,244**

The maturity analysis for financial liabilities as at 31 December 2011 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	128,327	-	-	-	-	128,327	128,327
Current accounts and deposits from customers	46,956,993	114,891	294,070	-	145,929	47,511,883	47,510,596
Total liabilities	**47,085,320**	**114,891**	**294,070**	**-**	**145,929**	**47,640,210**	**47,638,923**
Credit related commitments	**1,864,437**	**-**	**-**	**-**	**-**	**1,864,437**	**1,864,437**

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

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

18 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month '000 KZT	From 1 to 3 months '000 KZT	From 3 to 12 months '000 KZT	From 1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Total '000 KZT
Assets							
Cash and cash equivalents	43,907,386	-	-	-	-	-	43,907,386
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	-	-	-	-	1,282,719	1,282,719
Loans to customers	447,138	-	1,086,220	11,770,143	586,850	-	13,890,351
Held-to-maturity investments	-	997,759	808,039	-	-	-	1,805,798
Property, equipment and intangible assets	-	-	-	-	-	2,765,619	2,765,619
Deferred tax assets	-	-	-	-	-	3,061	3,061
Other assets	-	37,593	44,242	-	-	-	81,835
Total assets	**44,354,524**	**1,035,352**	**1,938,501**	**11,770,143**	**586,850**	**4,051,399**	**63,736,769**
Liabilities							
Deposits and balances from banks	1,038,513	-	-	-	-	-	1,038,513
Current accounts and deposits from customers	47,054,890	437,377	307,698	32,358	-	-	47,832,323
Other liabilities	30,370	44,630	-	-	-	-	75,000
Total liabilities	**48,123,773**	**482,007**	**307,698**	**32,358**	**-**	**-**	**48,945,836**
Net position	**(3,769,249)**	**553,345**	**1,630,803**	**11,737,785**	**586,850**	**4,051,399**	**14,790,933**

18 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2011:

KZT'000	Demand and less than 1 month '000 KZT	From 1 to 3 months '000 KZT	From 3 to 12 months '000 KZT	From 1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Total '000 KZT
Assets							
Cash and cash equivalents	43,975,732	-	-	-	-	-	43,975,732
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	-	-	-	-	1,166,306	1,166,306
Loans to customers	190,316	311,827	1,835,061	1,856,324	167,255	-	4,360,783
Held-to-maturity investments	-	1,011,574	6,697,396	804,597	-	-	8,513,567
Property, equipment and intangible assets	-	-	-	-	-	2,527,793	2,527,793
Deferred tax assets	-	-	-	-	-	5,194	5,194
Other assets	-	15,725	224,973	-	-	-	240,698
Total assets	**44,166,048**	**1,339,126**	**8,757,430**	**2,660,921**	**167,255**	**3,699,293**	**60,790,073**
Liabilities							
Deposits and balances from banks	128,327	-	-	-	-	-	128,327
Current accounts and deposits from customers	46,435,924	383,201	423,827	267,644	-	-	47,510,596
Other liabilities	31,853	-	-	-	-	-	31,853
Total liabilities	**46,596,104**	**383,201**	**423,827**	**267,644**	**-**	**-**	**47,670,776**
Net position	**(2,430,056)**	**955,925**	**8,333,603**	**2,393,277**	**167,255**	**3,699,293**	**13,119,297**

19 Capital management

The FMSC of NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the FMSC, banks have to maintain: a ratio of tier 1 capital to total assets and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 December 2012, this minimum level of tier 1 capital to total assets is 5% (2011: 5%) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 10% (2011: 10%). The Bank was in compliance with the statutory capital ratios as at 31 December 2012 and 2011, with the minimum level tier 1 capital to total assets of 20% (2011: 20%) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk of 39% (2011: 75%).

20 Commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans.

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

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

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

	2012 KZT'000	2011 KZT'000
Contracted amount		
Loan and credit line commitments	21,425,576	649,628
Guarantees and letters of credit	2,336,668	1,214,809
	23,762,244	**1,864,437**

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

21 Contingencies

(a) Insurance

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

21 Contingencies, continued

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

(c) Taxation contingencies

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

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

22 Related party transactions

(a) Control relationships

The Bank's Parent is Bank of China Limited, which produces publicly available financial statements. The party with ultimate control over the Bank is the Government of the People's Republic of China.

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

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

	2012 KZT'000	2011 KZT'000
Board of Directors	3,289	3,635
Members of the Management Board	34,622	35,391
	37,911	**39,026**

The outstanding balances and average interest rates as at 31 December 2012 and 2011 for transactions with the members of the Board of Directors and the Management Board are as follows:

	2012 KZT'000	Average interest rate, %	2011 KZT'000	Average interest rate, %
Statement of Financial Position				
ASSETS				
Loans to customers	5,103	9.0	13,077	9.9
LIABILITIES				
Current accounts and deposits from customers	10,423	2.5	18,631	-

All loans are in Tenge and repayable by the end of 2021. Deposits are on demand and with maturity in 2013, in Tenge and USD.

22 Related party transactions, continued

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

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

	2012 KZT'000	2011 KZT'000
Statement of Comprehensive Income		
Interest income	495	1,011

(c) Transactions with other related parties

Other related parties include: the Parent Bank, fellow subsidiaries of the Bank and other related parties. The outstanding balances and the related average interest rates as at 31 December 2012 and related profit or loss amounts of transactions for the year ended 31 December 2012 with other related parties are as follows.

	Parent Bank		Fellow subsidiaries		Other related parties*		
	KZT '000	Average interest rate, %	KZT '000	Average interest rate, %	KZT '000	Average interest rate, %	Total KZT '000
Statement of Financial Position							
ASSETS							
Cash and cash equivalents:							
- Placements with banks – nostro accounts	1,045,742	0.05	9,244,194	0.11	-	-	10,289,936
- In USD							
- In other currency	-	-	115,139	0.69	-	-	115,139
Loans to customers							
- In USD	-	-	-	-	81,005	2.31	81,005
Other financial assets - In USD	-	-	-	-	71,183	1.09	71,183

22 Related party transactions, continued

(c) Transactions with other related parties, continued

	Parent Bank		Fellow subsidiaries		Other related parties*		
	KZT '000	**Average interest rate, %**	**KZT '000**	**Average interest rate, %**	**KZT '000**	**Average interest rate, %**	**Total KZT '000**
LIABILITIES							
Current accounts and deposits from customers							
- In KZT	48,370	-	-	-	14,181,070	-	14,229,440
- In USD	-	-	-	-	16,853,611	-	16,853,611
- In other currencies	-	-	-	-	19	-	19
Items not recognised in the Statement of Financial Position							
Guarantees received	325,784	-	31,511,727	-	-	-	31,837,511
Guarantees given	-	-	1,537,727	-	-	-	1,537,727
Statement of Comprehensive Income							
Interest income	1,107	0.05	34,811	0.40	-	-	35,918
Fee and commission income	-	-	-	-	889,557	1.20	889,557
Fee and commission expense	4,913	-	36	-	-	-	4,949
Net foreign exchange loss	-	-	1,121	-	-	-	1,121
General administrative expenses	-	-	58,403	-	-	-	58,403

*Other related parties include entities that are under control of the Government of the People's Republic of China.

Guarantees received are from Bank of China Grand Cayman branch, Bank of China Beijing branch and Bank of China Limited.

22 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2011 and related profit or loss amounts of transactions for the year ended 31 December 2011 with other related parties are as follows.

	Parent Bank		Fellow subsidiaries		Other related parties*		
	KZT '000	Average interest rate, %	KZT '000	Average interest rate, %	KZT '000	Average interest rate, %	Total KZT '000
Statement of Financial Position							
ASSETS							
Cash and cash equivalents:							
- Placements with banks – nostro accounts							
- In USD	710,787	0.15	10,608,291	0.11	-	-	11,319,078
- In other currency	-	-	4,506,198	1.00	-	-	4,506,198
Loans to customers							
- In USD	-	-	-	-	77,782	2.56	77,782
Other financial assets - In USD	-	-	-	-	75,517	-	75,517
LIABILITIES							
Current accounts and deposits from customers							
- In KZT	24,000	-	-	-	10,234,031	-	10,234,031
- In USD	-	-	-	-	17,265,762	-	17,265,762
- In other currencies	-	-	-	-	4,445,843	-	4,445,843
Items not recognised in the Statement of Financial Position							
Guarantees given	-	-	133,584	-	-	-	133,584
Guarantees received	-	-	83,104	-	-	-	83,104
Statement of Comprehensive Income							
Interest income	437	0.15	14,856	1.00	1,991	-	17,284
Fee and commission income	6,636	-	-	-	1,014,313	-	1,020,949
Fee and commission expense	-	-	-	-	-	-	-
Net foreign exchange income	-	-	3,391	-	-	-	3,391
General administrative expenses	-	-	43,125	-	-	-	43,125

*Other related parties include entities that are under control of the Government of the People's Republic of China.

23 Financial assets and liabilities: fair values and accounting classifications

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

KZT '000	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair Value
Cash and cash equivalents	-	43,597,578	-	43,597,578	43,597,578
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	1,282,719	-	1,282,719	1,282,719
Loans to customers:					
- Loans to legal entities	-	13,355,692	-	13,355,692	13,355,692
- Loans to individuals	-	534,659	-	534,659	522,442
Held-to-maturity investments:					
- Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	997,759	-	-	997,759	989,871
- Bonds issued by the National Bank of the Republic of Kazakhstan	808,039	-	-	808,039	802,128
Other financial assets	-	71,359	-	71,359	71,359
	1,805,798	**58,842,007**	**-**	**60,647,805**	**60,621,789**
Deposits and balances from banks	-	-	1,038,513	1,038,513	1,038,513
Current accounts and deposits from customers	-	-	47,832,323	47,832,323	47,823,751
	-	**-**	**48,870,836**	**48,870,836**	**48,862,207**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2011:

KZT '000	Held-to-maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair Value
Cash and cash equivalents	-	43,712,404	-	43,712,404	43,712,404
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	1,166,306	-	1,166,306	1,166,306
Loans to customers:					
- Loans to legal entities	-	4,161,173	-	4,161,173	4,003,465
- Loans to individuals	-	199,610	-	199,610	164,797
Held-to-maturity investments:					
- Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	3,049,386	-	-	3,049,386	3,043,373
- Bonds issued by the National Bank of the Republic of Kazakhstan	5,464,181	-	-	5,464,181	5,472,631
Other financial assets	-	75,517	-	75,517	75,517
	8,513,567	**49,315,010**	**-**	**57,828,577**	**57,638,493**
Deposits and balances from banks	-	-	128,327	128,327	128,328
Current accounts and deposits from customers	-	-	47,510,596	47,510,596	46,982,486
	-	**-**	**47,638,923**	**47,638,923**	**47,110,814**

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

The estimated fair values of all financial assets, except held-to-maturity investments and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at reporting date. The fair value of held-to-maturity investments is determined by using market observable inputs.