

SB JSC “Bank Home Credit”

Unaudited Interim Condensed
Financial Statements
for the nine-month period
ended 30 September 2013

Contents

Independent Auditor's Report	
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	4
Interim Condensed Statement of Financial Position	5
Interim Condensed Statement of Cash Flows	6
Interim Condensed Statement of Changes in Equity	7
Notes to the Interim Condensed Financial Statements	8-39



«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report on Review of Interim Condensed Financial Information

To the Board of Directors of SB JSC "Bank Home Credit"

Introduction

We have reviewed the accompanying interim condensed statement of financial position of SB JSC "Bank Home Credit" (the "Bank") as at 30 September 2013, and the related interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2013, and the related condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2013, and notes to the interim financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 September 2013 and for the three- and nine-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

The corresponding figures for the three- and nine-month periods ended 30 September 2012 are not reviewed.



KPMG Audit LLC

21 January 2014

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген және KPMG Europe LLP бақылауындағы жауапкершілігі шектеулі серіктестік; Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

SB JSC Bank Home Credit
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the nine-month period ended 30 September 2013

		Unaudited 9 month period ended 30 Sep 2013	Unaudited 9 month period ended 30 Sep 2012	Unaudited 3 month period ended 30 Sep 2013	Unaudited 3 month period ended 30 Sep 2012
	Note	KZT'000	KZT'000	KZT'000	KZT'000
Interest income	4	18,627,992	10,871,082	7,273,654	4,213,016
Interest expense	4	(3,730,080)	(1,717,064)	(1,517,509)	(717,824)
Net interest income		14,897,912	9,154,018	5,756,145	3,495,192
Fee and commission income	5	11,682,501	7,277,290	4,553,858	2,830,743
Fee and commission expense	6	(780,384)	(541,714)	(264,861)	(204,300)
Net fee and commission income		10,902,117	6,735,576	4,288,997	2,626,443
Net (loss)/gain on financial instruments at fair value through profit or loss		(30,596)	(32,805)	21,558	(49,660)
Foreign exchange loss	7	(109,331)	(134,253)	(30,527)	(91,863)
Other operating (loss)/income		(92)	9,312	(49,829)	5,349
Operating income		25,660,010	15,731,848	9,986,344	5,985,461
Impairment losses	8	(6,981,042)	(2,176,583)	(2,572,539)	(1,058,474)
General administrative expenses	9	(7,376,128)	(4,498,555)	(2,834,265)	(1,656,743)
Profit before income tax		11,302,840	9,056,710	4,579,540	3,270,244
Income tax expense	10	(2,230,717)	(2,133,153)	(684,361)	(751,171)
Profit and total comprehensive income for the period		9,072,123	6,923,557	3,895,179	2,519,073

The interim condensed financial statements as set out on pages 4 to 39 were approved by Management on 21 January 2014 and were signed on its behalf by:


 Vladimir Gasyak
Chairman of the Board




 Zhanat Suleimenova
Chief Accountant

SB JSC Bank Home Credit
Interim Condensed Statement of Financial Position as at 30 September 2013

	Note	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
ASSETS			
Cash and cash equivalents	11	14,636,000	8,599,544
Loans and advances to banks		2,156	1,411
Financial instruments at fair value through profit or loss	12	-	177,450
Loans to customers	13	90,212,584	66,859,261
Current tax assets		155,759	-
Property, equipment and intangible assets	14	2,814,535	1,052,822
Other assets	15	2,313,581	2,373,973
Total assets		110,134,615	79,064,461
LIABILITIES			
Financial instruments at fair value through profit or loss	12	20,646	44,860
Deposits and balances from banks	16	8,079,939	7,757,859
Current accounts and deposits from customers	17	51,124,381	28,557,550
Subordinated borrowings	18	640,171	640,686
Other borrowed funds	18	22,868,135	16,414,512
Current tax liability		-	20,690
Deferred tax liability		181,029	82,978
Other liabilities	19	2,513,688	3,244,156
Total liabilities		85,427,989	56,763,291
EQUITY			
Share capital	20	5,199,503	5,199,503
Statutory reserve capital	20	-	7,347,876
Retained earnings	20	19,507,123	9,753,791
Total equity		24,706,626	22,301,170
Total liabilities and equity		110,134,615	79,064,461

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	17,463,048	10,305,839
Interest payments	(2,822,429)	(1,379,067)
Fee and commission receipts	12,048,738	7,313,144
Fee and commission payments	(746,475)	(802,030)
Net payments from financial instruments at fair value through profit or loss	(9,950)	(23,275)
Net payments from foreign exchange transactions	(57,710)	(162,919)
Other income receipts	37,780	9,312
General administrative expenses	(7,203,429)	(4,303,981)
(Increase)/decrease in operating assets		
Loans and advances to banks	(745)	-
Loans to customers	(29,157,075)	(22,933,970)
Other assets	70,846	(216,067)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	259,630	6,050,453
Current accounts and deposits from customers	22,026,372	12,601,932
Other liabilities	(889,906)	(41,205)
Net cash flow from operating activities before income tax paid	11,018,695	6,418,166
Income tax paid	(2,309,115)	(1,516,087)
Cash flows from operations	8,709,580	4,902,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(2,249,079)	(802,319)
Proceeds from sale of property and equipment	13,287	552,793
Cash flows used in investing activities	(2,235,792)	(249,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated borrowings	-	(1,560,000)
Receipts of other borrowed funds	14,270,384	6,806,300
Repayment of other borrowed funds	(8,113,460)	(1,434,360)
Dividends paid	(6,666,667)	-
Cash flows (used in)/from financing activities	(509,743)	3,811,940
Net increase in cash and cash equivalents	5,964,045	8,464,493
Effect of changes in exchange rates on cash and cash equivalents	72,411	26,326
Cash and cash equivalents as at the beginning of the period	8,599,544	4,795,190
Cash and cash equivalents as at the end of the period (Note 11)	14,636,000	13,286,009

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

SB JSC Bank Home Credit
Interim Condensed Statement of Changes in Equity for the nine-month period ended 30 September 2013

KZT'000	Share capital	Statutory reserve capital	Retained earnings	Total equity
Balance as at 1 Jan 2013	5,199,503	7,347,876	9,753,791	22,301,170
Profit and total comprehensive income for the the interim nine-month period (unaudited)	-	-	9,072,123	9,072,123
Dividends paid (unaudited)	-	-	(6,666,667)	(6,666,667)
Transfer to statutory reserve capital (unaudited)	-	9,668,333	(9,668,333)	-
Statutory reserve dissolution (unaudited)	-	(17,016,209)	17,016,209	-
Balance as at 30 Sep 2013 (unaudited)	5,199,503	-	19,507,123	24,706,626
Balance as at 1 Jan 2012	5,199,503	1,301,976	6,131,358	12,632,837
Profit and total comprehensive income for the the interim nine-month period (unaudited)	-	-	6,923,557	6,923,557
Transfer to statutory reserve capital (unaudited)	-	6,045,900	(6,045,900)	-
Balance as at 30 Sep 2012 (unaudited)	5,199,503	7,347,876	7,009,015	19,556,394

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

1 Background

(a) Organisation and operations

Private Bank FTD was established in 1993 and subsequently renamed to Bank Alma-Ata in December 1994. In December 1995, the Bank was re-registered as Open Joint Stock Company International Bank Alma-Ata. Due to a change in legislation, the Bank was re-registered as a joint stock company in November 2004. On 4 November 2008, International Bank Alma-Ata JSC was renamed to Home Credit Bank JSC. In January 2013 the Bank was acquired by Home Credit and Finance Bank incorporated in the Russian Federation, in this connection the Bank was renamed to Subsidiary Bank Joint Stock Company Home Credit and Finance Bank (short name SB JSC “Bank Home Credit”) on 4 April 2013.

The principal activities of the Bank are retail lending, deposit taking and customer accounts maintenance, issuing guarantees, cash and settlement operations and foreign exchange. The activities of the Bank are regulated by the Committee for the Control and Supervision of the Financial Markets and Organisations of the National Bank of the Republic of Kazakhstan (“the Committee”). The Bank holds banking licence #1.1.188 dated 14 May 2013.

The registered address of the Bank’s head office is 248, Furmanov Street, Almaty, Republic of Kazakhstan, 050059. As at 30 September 2013, the Bank has 14 branches throughout of Kazakhstan and 70 bank offices (31 December 2012: one branch in Astana).

As at 30 September 2013 the Bank was 100% owned by Home Credit and Finance Bank incorporated in the Russian Federation. As at 31 December 2012 the Bank was owned by Richard Benysek (90.01%) and Home Credit B.V. (9.99%). In January 2013 Home Credit and Finance Bank exercised a call option enabling it to purchase 90.01% ownership stake from Richard Benysek and purchased 9.99% ownership stake from Home Credit B.V. thus becoming a single shareholder of the Bank. The ultimate controlling owner of the Bank is Petr Kellner, who exercises control over Home Credit and Finance Bank through PPF Group N.V. registered in the Netherlands.

(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 interim condensed 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

These interim condensed financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2012, as these interim condensed financial statements provide an update of previously reported financial information.

(b) Basis of measurement

The interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

2 Basis of preparation, continued

(c) Functional and presentation currency

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

The KZT is also the presentation currency for the purposes of these interim condensed financial statements. Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

In preparing these interim condensed financial statements significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies in respect of financial instruments at fair value through profit or loss and loan impairment is further described in Note 12 and 13, respectively.

3 Significant accounting policies

Except as described below, in preparing these interim condensed financial statements the Bank applied the same accounting policies as those applied in the annual financial statements of the Bank for the year ended 31 December 2012.

(a) Comparative information

Prior period reclassification

During the preparation of the Bank's interim condensed financial statements for the nine-month period ended 30 September 2013, management made certain reclassifications affecting the corresponding figures to conform to the presentation of the interim condensed financial statements for the nine-month period ended 30 September 2013.

In the interim condensed statement of financial position as at 31 December 2012 mandatory reserve with the NBRK of KZT 1,659,002 thousand was reclassified to cash and cash equivalents. Management believes that this presentation is more appropriate presentation in accordance with IFRS. The effect of reclassifications on the corresponding figures can be summarised as follows:

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Interim condensed statement of financial position as at 31 Dec 2012			
Cash and cash equivalents	8,599,544	1,659,002	6,940,542
Mandatory reserve with the NBRK	-	(1,659,002)	1,659,002

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

3 Significant accounting policies, continued

(b) Changes in accounting policies

New standards and improvements to IFRS which apply for the first time in 2013 do not have a significant impact on these interim condensed financial statements. The nature and impact of each new standard and improvement is described below.

- 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 applied retrospectively.
- IFRS 13 *Fair Value Measurement* is 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.
- 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 is effective for annual periods beginning on or after 1 July 2012.
- 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, came into effect on 1 January 2013.

4 Net interest income

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Interest income				
Loans to customers	18,627,798	10,871,046	7,273,654	4,213,016
Cash and cash equivalents	194	36	-	-
	18,627,992	10,871,082	7,273,654	4,213,016
Interest expense				
Current accounts and deposits from customers	1,761,714	983,190	752,459	407,182
Other borrowed funds	1,313,299	470,101	518,423	208,839
Deposits and balances from banks	608,281	150,814	230,860	86,037
Subordinated borrowings	46,786	112,959	15,767	15,766
	3,730,080	1,717,064	1,517,509	717,824
	14,897,912	9,154,018	5,756,145	3,495,192

Included within various line items under interest income for the nine-month period ended 30 September 2013 is a total of KZT 1,289,584 thousand (nine-month period ended 30 September 2012: KZT 427,940 thousand) accrued on impaired or overdue loans to customers.

5 Fee and commission income

	Unaudited 9month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Insurance agent commissions	9,562,273	5,733,453	3,726,748	2,303,362
Contractual penalties from customers	977,957	449,617	381,749	165,751
Fees from retailers	855,451	896,538	337,841	296,976
Transfer operations	18,011	32,633	5,927	9,004
Cash transactions	4,649	26,517	1,248	4,357
Other	264,160	138,532	100,345	51,293
	11,682,501	7,277,290	4,553,858	2,830,743

6 Fee and commission expense

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Commissions paid to partners	720,025	480,158	243,978	171,844
Settlements	14,573	14,193	3,808	5,976
Card processing	14,519	14,823	2,937	5,595
Deposit insurance fund contributions	12,845	9,370	4,534	5,770
Other	18,422	23,170	9,604	15,115
	780,384	541,714	264,861	204,300

7 Foreign exchange loss

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Foreign currency loss	(110,955)	(146,109)	(33,727)	(92,815)
Trading gain	1,624	11,856	3,200	952
	(109,331)	(134,253)	(30,527)	(91,863)

8 Impairment losses

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Loans to customers	6,968,696	2,176,324	2,567,195	1,058,454
Other assets	12,346	259	5,344	20
	6,981,042	2,176,583	2,572,539	1,058,474

9 General administrative expenses

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Employee compensation and payroll related taxes	3,494,976	2,264,030	1,349,835	813,861
Information technology	557,401	333,275	218,027	70,396
Occupancy	518,882	228,830	215,871	90,289
Telecommunication and postage	514,765	303,508	196,956	124,435
Advertising and marketing	431,179	263,825	132,307	114,245
Professional services	426,930	283,432	139,228	142,232
Taxes other than income tax	413,645	209,962	159,932	80,974
Depreciation and amortisation	312,518	208,482	120,990	70,100
Collector services	261,258	142,724	118,914	57,934
Travel expenses	223,293	144,336	85,392	47,429
Other	221,281	116,151	96,813	44,848
	7,376,128	4,498,555	2,834,265	1,656,743

10 Income tax expense

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000	Unaudited 3 month period ended 30 Sep 2013 KZT'000	Unaudited 3 month period ended 30 Sep 2012 KZT'000
Current tax expense				
Current period tax expense	2,502,290	2,045,036	987,162	732,493
Current tax expense (over)/under provided in prior periods	(369,624)	50,111	(369,624)	-
	2,132,666	2,095,147	617,538	732,493
Deferred tax expense				
Deferred taxation movement due to origination and reversal of temporary differences	98,051	38,006	66,823	18,678
Total income tax expense	2,230,717	2,133,153	684,361	751,171

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

Reconciliation of effective tax rate:

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	%	Unaudited 9 month period ended 30 Sep 2012 KZT'000	%	Unaudited 3 month period ended 30 Sep 2013 KZT'000	%	Unaudited 3 month period ended 30 Sep 2012 KZT'000	%
Profit before income tax	11,302,840	100	9,056,710	100	4,579,540	100	3,270,244	100
Income tax at the applicable tax rate	2,260,568	20	1,811,342	20	915,908	20	654,049	20
Non-deductible costs	339,773	3	271,700	3	138,077	3	97,122	3
(Over)/under provided in prior periods	(369,624)	(3)	50,111	1	(369,624)	(8)	-	-
	2,230,717	20	2,133,153	24	684,361	15	751,171	23

11 Cash and cash equivalents

	Unaudited	31 Dec 2012
	30 Sep 2013	KZT'000
	KZT'000	KZT'000
Cash on hand	1,648,603	427,363
Nostro accounts with the National Bank of the Republic of Kazakhstan	11,338,221	7,910,651
Nostro accounts with other banks		
- rated A- to A+	1,270,940	216,769
- rated from BBB- to BBB	62,015	31,716
- rated from BB- to BB+	303,844	1,726
- rated below B+	12,377	9,359
- not rated	-	1,960
	14,636,000	8,599,544

As at 30 September 2013 none of cash and cash equivalents are impaired or past due (31 December 2012: nil).

As at 30 September 2013 and 31 December 2012 the Bank had exposure towards one banking counterparty exceeding 10% of Bank's equity. The gross value of this balance as at 30 September 2013 and 31 December 2012 was KZT 11,338,221 thousand and KZT 7,910,651 thousand, respectively.

12 Financial instruments at fair value through profit or loss

	Unaudited	31 Dec 2012
	30 Sep 2013	KZT'000
	KZT'000	KZT'000
Held by the Bank		
ASSETS		
Derivative financial instruments		
Foreign currency contracts	-	177,450
	-	177,450
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	20,646	44,860
	20,646	44,860

The table below summarises, by major currencies, the contractual amounts of swap contracts outstanding at 30 September 2013 and 31 December 2012 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

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

	Notional amount		Weighted average contractual exchange rates	
	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Buy EUR sell KZT				
Between 3 and 12 months	-	2,838,750	-	189.25
Buy USD sell KZT				
Between 1 and 3 months	1,572,800	-	157.28	-
Between 3 and 12 months	-	4,123,130	-	152.71

13 Loans to customers

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Loans to individuals		
Cash loans	68,080,393	38,776,612
POS loans*	30,219,274	32,132,030
Credit cards	415,292	35,474
Total loans to individuals	98,714,959	70,944,116
Impairment allowance	(8,502,375)	(4,084,855)
Net loans to individuals	90,212,584	66,859,261

*POS loans are loans granted for financing of goods and services at retailer's points-of-sale (POS)

Movements in the loan impairment allowance by classes of loans to customers for the nine-month period ended 30 September 2013 are as follows:

	Unaudited Cash loans KZT'000	Unaudited POS loans KZT'000	Unaudited Credit cards KZT'000	Unaudited Total KZT'000
Balance at the beginning of the period	2,326,405	1,756,175	2,275	4,084,855
Net charge	5,171,558	1,785,381	11,757	6,968,696
Loans recovered previously written-off	300,210	262,883	1,205	564,298
Write-offs	(1,624,092)	(1,489,604)	(1,778)	(3,115,474)
Balance at the end of the period	6,174,081	2,314,835	13,459	8,502,375

13 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the nine-month period ended 30 September 2012 are as follows:

	Unaudited Cash loans KZT'000	Unaudited POS loans KZT'000	Unaudited Credit cards KZT'000	Unaudited Total KZT'000
Balance at the beginning of the period	530,075	704,554	34,260	1,268,889
Net charge/(reversal)	1,177,783	1,037,841	(39,300)	2,176,324
Loans recovered previously written-off	215,800	176,671	19,254	411,725
Write-offs	(326,721)	(448,889)	(10,877)	(786,487)
Balance at the end of the period	1,596,937	1,470,177	3,337	3,070,451

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 30 September 2013:

	Unaudited Gross loans KZT'000	Unaudited Impairment allowance KZT'000	Unaudited Net loans KZT'000	Unaudited Impairment allowance to gross loans, %
Loans to individuals				
- not overdue	84,119,161	(682,145)	83,437,016	0.81
- overdue less than 90 days	6,952,959	(2,696,085)	4,256,874	38.78
- overdue 90-360 days	7,642,136	(5,124,024)	2,518,112	67.05
- overdue more than 360 days	703	(121)	582	17.21
Total loans to individuals	98,714,959	(8,502,375)	90,212,584	8.61

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to individuals				
- not overdue	63,112,729	(365,855)	62,746,874	0.58
- overdue less than 90 days	4,319,132	(1,435,742)	2,883,390	33.24
- overdue 90-360 days	3,507,788	(2,280,138)	1,227,650	65.00
- overdue more than 360 days	4,467	(3,120)	1,347	69.85
Total loans to individuals	70,944,116	(4,084,855)	66,859,261	5.76

(b) Key assumptions and judgments for estimating loan impairment

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to individuals include loss migration rates which are consistent with recent experience and can be estimated based on the historical loss migration pattern for the past twelve months.

13 Loans to customers, continued

(b) Key assumptions and judgments for estimating loan impairment, continued

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 30 September 2013 would be KZT 902,126 thousand lower/higher (31 December 2012: KZT 668,593 thousand).

(c) Loan collateral

The recoverability of loans is primarily dependent on the creditworthiness of the borrowers. Loans to customers are not secured.

(d) Significant credit exposures

Neither as at 30 September 2013 nor as at 31 December 2012 the Bank had borrowers whose loan balances exceeded 10% of Bank's equity.

(e) Loan maturities

The maturity of the loan portfolio is presented in Note 21(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

14 Property, equipment and intangible assets

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Acquisition cost	3,804,474	1,757,498
Accumulated depreciation	(989,939)	(704,676)
Carrying amount	2,814,535	1,052,822

In connection with branch network expansion during the nine-month period ended 30 September 2013 acquisition cost increased by KZT 2,046,976 thousand (during 2012: KZT 548,555 thousand) comprising:

- Land and buildings of KZT 468,000 thousand (2012: nil)
- Leasehold improvements of KZT 282,742 thousand (2012: KZT 5 thousand)
- Computers of KZT 992,383 thousand (2012: KZT 187,265 thousand)
- Other fixed and intangible assets of KZT 303,851 thousand (2012: KZT 361,285 thousand)

15 Other assets

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Receivables from retailers fees	818,154	1,014,372
Total other financial assets	818,154	1,014,372
Prepayments	1,221,941	1,054,037
Prepayment of taxes other than income tax	139,584	61,149
Materials	69,086	143,306
Receivables from employees	28,352	15,746
Other	48,959	85,512
Impairment allowance	(12,495)	(149)
Total other non-financial assets	1,495,427	1,359,601
Total other assets	2,313,581	2,373,973

15 Other assets, continued

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the nine-month period ended 30 September are as follows:

	Unaudited 30 Sep 2013 KZT'000	Unaudited 30 Sep 2012 KZT'000
Balance at the beginning of the period	149	-
Net charge	12,346	259
Balance at the end of the period	12,495	259

As at 30 September 2013 the Bank had overdue receivables of KZT 25,375 thousand (31 December 2012: nil) included in other assets.

Neither as at 30 September 2013 nor as at 31 December 2012 the Bank had exposures towards debtors exceeding 10% of the Bank's equity.

16 Deposits and balances from banks

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Vostro accounts	142,155	107,083
Term deposits	7,937,784	7,650,776
	8,079,939	7,757,859

As at 30 September 2013 the Bank had one counterparty (31 December 2012: one counterparty), whose balances exceeded 10% of the Bank's equity. As at 30 September 2013 these balances totalled KZT 8,079,939 thousand (31 December 2012: KZT 7,757,859 thousand).

17 Current accounts and deposits from customers

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Current accounts and demand deposits		
- Retail	9,522,854	6,407,903
- Corporate	4,247,153	3,807,988
Term deposits		
- Retail	4,305,034	2,405,604
- Corporate	33,049,340	15,936,055
	51,124,381	28,557,550

As at 30 September 2013, the Bank had four customers (31 December 2012: one customer), whose balances exceeded 10% of the Bank's equity. As at 30 September 2013 these balances totalled KZT 25,086,662 thousand (31 December 2012: KZT 8,047,562 thousand).

18 Subordinated borrowings and other borrowed funds

A summary of terms of subordinated borrowings and other borrowed funds as at 30 September 2013 and 31 December 2012 is presented below:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Currency</u>	<u>Weighted-average effective interest rate</u>	<u>Unaudited 30 Sep 2013 KZT'000</u>	<u>31 Dec 2012 KZT'000</u>
Subordinated borrowings from shareholders	29/06/2009	30/12/2016	KZT	9.64%	<u>640,171</u>	<u>640,686</u>
Other borrowed funds						
	various tranches issued in the period of	various tranches maturing in the period of				
Unsecured loans	16/04/2012-19/09/2013	16/10/2013-31/10/2014	KZT	12.43%	22,868,135	8,051,010
Unsecured loans	27/07/2012	26/07/2013	USD	7.00%	-	5,287,208
Unsecured loans	12/06/2012	12/06/2013	EUR	5.10%	-	3,076,294
					<u>22,868,135</u>	<u>16,414,512</u>

Subordinated borrowings

In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Bank.

19 Other liabilities

	<u>Unaudited 30 Sep 2013 KZT'000</u>	<u>31 Dec 2012 KZT'000</u>
Payables to partners	1,261,879	2,210,380
Payables for services	668,268	385,596
Total other financial liabilities	<u>1,930,147</u>	<u>2,595,976</u>
Payables to employees	369,166	443,021
Taxes payable other than income tax	201,120	145,682
Vacation reserve	12,478	58,720
Other non-financial liabilities	777	757
Total other non-financial liabilities	<u>583,541</u>	<u>648,180</u>
Total other liabilities	<u>2,513,688</u>	<u>3,244,156</u>

Payables to partners represent the Bank's liabilities to organisations which either sell the goods on bank credit or deliver financial means to the Bank's customers.

20 Equity

(a) Issued capital

As at 30 September 2013 and 31 December 2012 the authorised share capital comprised 160,240 ordinary shares and issued and outstanding share capital comprised 34,890 ordinary shares.

(b) Dividends

In accordance with Kazakhstan legislation the distributable dividend amount is limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS. As at 30 September 2013 the Bank had retained earnings, including profit for the current nine-month period, of KZT 19,507,123 thousand (31 December 2012: KZT 9,753,791 thousand).

At the reporting date, KZT 6,666,667 thousand was declared and distributed as dividends in accordance with the Resolution of the sole shareholder of the Bank on 17 September 2013.

(c) Statutory reserve capital

Until 2013, in accordance with Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the Committee on 28 August 2009, the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year was calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in classified assets and contingent liabilities (as defined in the Resolution #296 On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities issued by the Committee on 25 December 2006) during the preceding year. Such percentage increase had to be not less than 10% and not more than 100%.

During the nine-month period ended 30 September 2013, the shareholders approved a transfer of KZT 9,668,333 thousand from retained earnings to this statutory reserve capital (nine-month period ended 30 September 2012: KZT 6,045,900 thousand, unaudited).

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

The Bank's statutory reserve capital was dissolved in accordance with the Resolution of the sole shareholder on 17 September 2013 as maintaining such a reserve capital was no longer required by regulations.

In accordance with Resolution of the National Bank of the Republic of Kazakhstan #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss, the Bank should establish a dynamic reserve calculated using a formula determined in the Resolution and the value should not be less than zero. The Resolution has been effective from 1 January 2013. The dynamic reserve requirement of the Bank as at 30 September 2013 was nil.

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

The Board of Directors 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.

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 of the Bank is responsible for the overall risk management, ensuring together with the Head of Legal and Head of Compliance, the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. The Head of the Risk Department reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO).

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 President. Market risk limits are approved by the 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.

(i) Interest rate risk

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

21 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

KZT'000	Unaudited Less than 3 months	Unaudited 3-6 months	Unaudited 6-12 months	Unaudited 1-5 years	Unaudited Carrying amount
30 Sep 2013					
Interest-earning financial assets					
Loans to customers	10,842,135	8,850,900	21,559,932	48,959,617	90,212,584
	10,842,135	8,850,900	21,559,932	48,959,617	90,212,584
Interest-bearing financial liabilities					
Deposits and balances from banks	1,218,195	2,378,452	4,341,137	-	7,937,784
Term deposits from customers	2,126,924	8,128,252	12,802,467	14,296,731	37,354,374
Subordinated borrowings	640,171	-	-	-	640,171
Other borrowed funds	15,411,024	3,289,896	2,008,806	2,158,409	22,868,135
	19,396,314	13,796,600	19,152,410	16,455,140	68,800,464
Net position as at 30 Sep 2013	(8,554,179)	(4,945,700)	2,407,522	32,504,477	21,412,120
KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	Carrying amount
31 Dec 2012					
Interest-earning financial assets					
Loans to customers	7,096,846	6,858,310	21,200,428	31,703,677	66,859,261
	7,096,846	6,858,310	21,200,428	31,703,677	66,859,261
Interest-bearing financial liabilities					
Deposits and balances from banks	3,887,931	318,750	3,444,095	-	7,650,776
Term deposits from customers	4,897,711	7,591,929	4,284,673	1,567,346	18,341,659
Subordinated borrowings	640,686	-	-	-	640,686
Other borrowed funds	1,559,692	7,613,402	7,241,418	-	16,414,512
	10,986,020	15,524,081	14,970,186	1,567,346	43,047,633
Net position as at 31 Dec 2012	(3,889,174)	(8,665,771)	6,230,242	30,136,331	23,811,628

21 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 30 September 2013 and 31 December 2012 is as follows:

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
100 bp parallel fall	79,793	58,093
100 bp parallel rise	(79,793)	(58,093)

(ii) 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 30 September 2013:

	Unaudited KZT KZT'000	Unaudited USD KZT'000	Unaudited Other currencies KZT'000	Unaudited Total KZT'000
ASSETS				
Cash and cash equivalents	8,738,738	5,839,726	57,536	14,636,000
Loans and advances to banks	2,156	-	-	2,156
Loans to customers	90,212,584	-	-	90,212,584
Other financial assets	814,517	-	3,637	818,154
Total assets	99,767,995	5,839,726	61,173	105,668,894
LIABILITIES				
Deposits and balances from banks	8,079,939	-	-	8,079,939
Current accounts and deposits from customers	44,045,142	7,048,881	30,358	51,124,381
Subordinated borrowings	640,171	-	-	640,171
Other borrowed funds	22,868,135	-	-	22,868,135
Other financial liabilities	1,818,520	17,779	93,848	1,930,147
Total liabilities	77,451,907	7,066,660	124,206	84,642,773
Net position	22,316,088	(1,226,934)	(63,033)	21,026,121
Effect of derivatives held for risk management purposes	(1,556,351)	1,535,705	-	(20,646)
Net position after derivatives held for risk management purposes	20,759,737	308,771	(63,033)	21,005,475

21 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency 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	4,290,691	4,233,739	75,114	8,599,544
Loans and advances to banks	1,411	-	-	1,411
Loans to customers	66,859,261	-	-	66,859,261
Other financial assets	1,014,372	-	-	1,014,372
Total assets	72,165,735	4,233,739	75,114	76,474,588
LIABILITIES				
Deposits and balances from banks	7,757,859	-	-	7,757,859
Current accounts and deposits from customers	25,033,910	3,495,679	27,961	28,557,550
Subordinated borrowings	640,686	-	-	640,686
Other borrowed funds	8,051,010	5,287,208	3,076,294	16,414,512
Other financial liabilities	2,595,976	-	-	2,595,976
Total liabilities	44,079,441	8,782,887	3,104,255	55,966,583
Net position	28,086,294	(4,549,148)	(3,029,141)	20,508,005
Effect of derivatives held for risk management	(6,961,880)	4,078,270	3,016,200	132,590
Net position after derivatives held for risk management purposes	21,124,414	(470,878)	(12,941)	20,640,595

Other currencies are mainly represented by EUR.

A weakening of the KZT, as indicated below, against the following currencies at 30 September 2013 and 31 December 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the 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.

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
10% appreciation of USD against KZT	26,353	(37,670)
10% appreciation of other currencies against KZT	(5,043)	(1,035)

A strengthening of the KZT against the above currencies at 30 September 2013 and 31 December 2012 would have had the equal but opposite effect on equity and profit or loss by the amounts shown above, on the basis that all other variables remain constant.

21 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures 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 Board of Directors.

The credit policy establishes:

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

Retail loan applications are reviewed through the use of scoring models and application data verification procedures developed by 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 interim condensed 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:

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
ASSETS		
Cash equivalents	12,987,397	8,172,181
Loans and advances to banks	2,156	1,411
Loans to customers	90,212,584	66,859,261
Other financial assets	818,154	1,014,372
Total maximum exposure	104,020,291	76,047,225

For the analysis of the concentration of credit risk in respect of loans to customers refer to Note 13.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 23.

21 Risk management, continued

(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 Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to 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 the ALCO and implemented by the Treasury Department.

21 Risk management, continued

(d) Liquidity risk, continued

The following tables show undiscounted cash flows on financial liabilities and credit-related commitments as at 30 September 2013 and 31 December 2012 on the basis of their remaining contractual maturity. The total gross 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.

As at 30 September 2013 KZT'000	Unaudited Demand and less than 1 month	Unaudited From 1 to 3 months	Unaudited From 3 to 6 months	Unaudited From 6 to 12 months	Unaudited More than 1 year	Unaudited Total gross amount outflow (inflow)	Unaudited Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	468,439	1,122,784	2,351,438	4,778,329	-	8,720,990	8,079,939
Current accounts and deposits from customers	14,259,538	1,658,407	8,843,775	13,506,635	16,550,332	54,818,687	51,124,381
Subordinated borrowings	5,312	10,283	15,424	30,848	778,816	840,683	640,171
Other borrowed funds	3,244,055	12,887,063	3,365,289	2,116,410	2,232,141	23,844,958	22,868,135
Other financial liabilities	668,268	1,261,879	-	-	-	1,930,147	1,930,147
Derivative liabilities							
- Inflow	-	(1,535,705)	-	-	-	(1,535,705)	(1,535,705)
- Outflow	-	1,556,351	-	-	-	1,556,351	1,556,351
Total liabilities	18,645,612	16,961,062	14,575,926	20,432,222	19,561,289	90,176,111	84,663,419
Credit related commitments	152,513					152,513	152,513

21 Risk management, continued

(d) Liquidity risk, continued

As at 31 December 2012 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	107,083	3,973,279	327,331	3,769,761	-	8,177,454	7,757,859
Current accounts and deposits from customers	12,353,375	2,794,929	7,771,654	4,545,745	1,758,283	29,223,986	28,557,550
Subordinated borrowings	5,141	10,283	15,424	30,848	825,088	886,784	640,686
Other borrowed funds	-	1,593,518	5,750,514	5,572,692	4,787,441	17,704,165	16,414,512
Other financial liabilities	385,596	2,210,380	-	-	-	2,595,976	2,595,976
Derivative liabilities							
- Inflow	-	(4,078,270)	(3,016,200)	-	-	(7,094,470)	(7,094,470)
- Outflow	-	4,123,130	2,838,750	-	-	6,961,880	6,961,880
Total liabilities	12,851,195	10,627,249	13,687,473	13,919,046	7,370,812	58,455,775	55,833,993
Credit related commitments	115,317	-	-	-	-	115,317	115,317

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The undiscounted amount of such deposits, by each time band, is as follows:

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Demand and less than 1 month	488,991	2,134,400
From 1 to 3 months	1,637,933	2,763,311
From 3 to 6 months	8,651,642	7,591,929
From 6 to 12 months	12,279,077	4,284,673
More than 1 year	14,296,731	1,567,346
	37,354,374	18,341,659

21 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 30 September 2013:

KZT'000	Unaudited Demand and less than 1 month	Unaudited From 1 to 3 months	Unaudited From 3 to 12 months	Unaudited From 1 to 5 years	Unaudited No maturity	Unaudited Overdue	Unaudited Total
Non-derivative assets							
Cash and cash equivalents	14,636,000	-	-	-	-	-	14,636,000
Loans and advances to banks	-	-	-	2,156	-	-	2,156
Loans to customers	1,029,819	3,036,748	30,410,832	48,959,617	-	6,775,568	90,212,584
Property, equipment and intangible assets	-	-	-	-	2,814,535	-	2,814,535
Current tax assets	-	-	155,759	-	-	-	155,759
Other assets	461,038	614,738	361,142	851,288	-	25,375	2,313,581
Total non-derivative assets	16,126,857	3,651,486	30,927,733	49,813,061	2,814,535	6,800,943	110,134,615
Non-derivative liabilities							
Deposits and balances from banks	142,155	1,218,195	6,719,589	-	-	-	8,079,939
Current accounts and deposits from customers	14,258,999	1,637,932	20,930,719	14,296,731	-	-	51,124,381
Subordinated borrowings	171	-	-	640,000	-	-	640,171
Other borrowed funds	2,525,931	12,885,093	5,298,702	2,158,409	-	-	22,868,135
Deferred tax liability	-	-	-	181,029	-	-	181,029
Other liabilities	1,037,434	1,462,999	13,255	-	-	-	2,513,688
Total non-derivative liabilities	17,964,690	17,204,219	32,962,265	17,276,169	-	-	85,407,343
Net position	(1,837,833)	(13,552,733)	(2,034,532)	32,536,892	2,814,535	6,800,943	24,727,272

21 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	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Overdue	Total
Non-derivative assets							
Cash and cash equivalents	8,599,544	-	-	-	-	-	8,599,544
Loans and advances to banks	-	-	-	1,411	-	-	1,411
Loans to customers	824,136	2,076,167	28,058,738	31,703,677	-	4,196,543	66,859,261
Property, equipment and intangible assets	-	-	-	-	1,052,822	-	1,052,822
Other assets	270,899	916,458	485,832	700,635	-	149	2,373,973
Total non-derivative assets	9,694,579	2,992,625	28,544,570	32,405,723	1,052,822	4,196,692	78,887,011
Non-derivative liabilities							
Deposits and balances from banks	107,083	3,887,931	3,762,845	-	-	-	7,757,859
Current accounts and deposits from customers	12,350,291	2,763,311	11,876,602	1,567,346	-	-	28,557,550
Subordinated borrowings	686	-	-	640,000	-	-	640,686
Other borrowed funds	-	1,559,692	10,983,573	3,871,247	-	-	16,414,512
Current tax liability	-	-	20,690	-	-	-	20,690
Deferred tax liability	-	-	-	82,978	-	-	82,978
Other liabilities	449,805	2,755,564	38,787	-	-	-	3,244,156
Total non-derivative liabilities	12,907,865	10,966,498	26,682,497	6,161,571	-	-	56,718,431
Net position	(3,213,286)	(7,973,873)	1,862,073	26,244,152	1,052,822	4,196,692	22,168,580

22 Capital management

The Committee 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 Committee the Bank has to maintain: a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 30 September 2013 and 31 December 2012, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 5% and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 10%. The Bank was in compliance with the statutory capital requirements as at 30 September 2013 and 31 December 2012.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Committee:

	Unaudited 30 Sep 2013 KZT'000	31 Dec 2012 KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Statutory reserve capital of prior periods	-	1,301,976
Retained earnings of prior periods	10,435,000	6,131,358
Intangible assets	(344,577)	(375,107)
Total tier 1 capital	15,289,926	12,257,730
Tier 2 capital		
Profit for the period/year	9,072,123	9,668,333
Subordinated borrowings	512,000	640,000
Total tier 2 capital	9,584,123	10,308,333
Total capital	24,874,049	22,566,063
Total credit risk-weighted assets, unaudited	73,618,002	68,991,760
Total credit risk-weighted assets and liabilities, including market and operational risk, unaudited	85,776,175	87,418,272
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio), unaudited	29.0%	25.8%
Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio), unaudited	17.8%	14.0%

23 Commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. 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 the counterparties failed completely to perform as contracted.

	Unaudited	
	30 Sep 2013	31 Dec 2012
	KZT'000	KZT'000
Contracted amount		
Loan and credit line commitments	146,785	105,403
Guarantees and letters of credit	5,728	9,914
	152,513	115,317

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

Neither as at 30 September 2013 nor as at 31 December 2012 the Bank had counterparties whose balances exceeded 10% of the Bank's equity.

24 Operating leases

The Bank leases a number of premises under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Usually lease agreements are concluded on the terms that allow the Bank to cancel the lease at any time during the lease term. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the nine-month period ended 30 September 2013 KZT 518,882 thousand was recognized as an expense in statement of profit or loss and other comprehensive income in respect of operating leases (nine-month period ended 30 September 2012: KZT 228,830 thousand).

As at 30 September 2013 the Bank reported KZT 17,558 thousand of prepayments included in the balance of other assets serving as security deposits in case of an early termination of lease agreements (31 December 2012: nil).

25 Contingencies

(a) Insurance

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

25 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.

26 Related party transactions

(a) Control relationships

The Bank's parent company is Home Credit and Finance Bank. The Bank's ultimate controlling owner is Petr Kellner.

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

Total remuneration included in personnel expenses for the nine-month period ended 30 September 2013 and 30 September 2012 was as follows:

	Unaudited 9 month period ended 30 Sep 2013 KZT'000	Unaudited 9 month period ended 30 Sep 2012 KZT'000
Members of the Board of Directors	62,647	87,578
Members of the Management Board	183,541	100,860
	246,188	188,438

The outstanding balances and average interest rates as at 30 September 2013 and 31 December 2012 for transactions with the members of the Board of Directors and the Management Board were as follows:

	Unaudited 30 Sep 2013 KZT'000	Average interest rate, %	31 Dec 2012 KZT'000	Average interest rate, %
Interim statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	2,908	-	-	-

There were no amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the nine-month period ended 30 September 2013 (the nine-month period ended 30 September 2012: KZT 7 thousand), except for personnel expenses mentioned above.

26 Related party transactions, continued

(c) Transactions with the parent

As at 30 September 2013 and 31 December 2012 transactions with the parent included in the interim statement of financial position were as follows:

Interim statement of financial position	Unaudited 30 Sep 2013 KZT'000	Average interest rate, %	31 Dec 2012 KZT'000	Average interest rate, %
ASSETS				
Cash and cash equivalents				
-In USD	55	-	-	-
-In EUR	81	-	-	-
-In RUB	38	-	-	-
LIABILITIES				
Other borrowed funds				
-In KZT	10,891,901	13.30	5,287,208	13.50
-In USD	-	-	1,559,692	7.25

In the nine-month period ended 30 September 2013 transactions with the parent included in the interim statement of profit or loss and other comprehensive income were as follows:

Interim statement of profit or loss and other comprehensive income	Unaudited 9 month period ended 30 Sep 2013 KZT'000
Interest expense	
Other borrowed funds	
-In KZT	232,532
-In USD	204,899
	437,431
Net loss on financial instruments at fair value through profit or loss	
Foreign currency contracts	
-In KZT	9,230
	9,230

The Bank had no profit and loss transactions with the parent during the nine-month period ended 30 September 2012.

26 Related party transactions, continued

(d) Transactions with entities controlled by the ultimate controlling owner

As at 30 September 2013 and 31 December 2012 transactions with entities controlled by the ultimate controlling owner included in the interim statement of financial position were as follows:

Interim statement of financial position	Unaudited 30 Sep 2013 KZT'000	Average interest rate, %	31 Dec 2012 KZT'000	Average interest rate, %
ASSETS				
Other assets				
-In KZT	-	-	565,575	-
-In EUR	918,981	-	701,752	-
LIABILITIES				
Financial instruments at fair value through profit or loss				
-In KZT	-	-	44,860	-
Deposits and balances from banks				
-In KZT	8,079,939	12.55	7,757,859	12.08
Current accounts and deposits from customers				
-In KZT	569,665	8.00	937,830	6.75
Subordinated borrowings				
-In KZT	640,171	9.64	640,686	9.64
Other borrowed funds				
-In KZT	11,976,234	12.28	6,491,318	11.64
Other financial liabilities				
-In KZT	57,152	-	18,727	-

26 Related party transactions, continued

(d) Transactions with entities controlled by the ultimate controlling owner, continued

During the nine-month period ended 30 September 2013 transactions with entities controlled by the ultimate controlling owner included in the interim statement of profit or loss and other comprehensive income were as follows:

Interim statement of profit or loss and other comprehensive income	Unaudited 9 month period ended 30 Sep 2013 KZT'000
Interest expense	
Current accounts and deposits from customers	
-In KZT	30,231
Other borrowed funds	
-In KZT	788,447
Deposits and balances from banks	
-In KZT	608,281
Subordinated borrowings	
-In KZT	46,786
	1,473,745
Net loss on financial instruments at fair value through profit or loss	
Foreign currency contracts	
-In KZT	5,270
	5,270
General administrative expenses	
Professional services	
-In EUR	164,936
Information technology	
-In EUR	458,066
	623,002

The Bank had no profit and loss transactions with other entities controlled by the ultimate controlling owner during the nine-month period ended 30 September 2012.

27 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2013:

KZT'000	Unaudited At fair value through profit or loss	Unaudited Loans and receivables	Unaudited Other amortised cost	Unaudited Total carrying amount	Unaudited Fair value
Cash equivalents	-	12,987,397	-	12,987,397	12,987,397
Loans and advances to banks	-	2,156	-	2,156	2,156
Loans to customers	-	90,212,584	-	90,212,584	90,212,584
Other financial assets	-	818,154	-	818,154	818,154
	-	104,020,291	-	104,020,291	104,020,291
Financial instruments at fair value through profit or loss	20,646	-	-	20,646	20,646
Deposits and balances from banks	-	-	8,079,939	8,079,939	8,636,935
Current accounts and deposits from customers	-	-	51,124,381	51,124,381	54,385,328
Subordinated borrowings	-	-	640,171	640,171	726,633
Other borrowed funds	-	-	22,868,135	22,868,135	23,396,843
Other financial liabilities	-	-	1,930,147	1,930,147	1,930,147
	20,646	-	84,642,773	84,663,419	89,096,532

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

Accounting classifications and fair values, continued

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

KZT'000	At fair value through profit or loss	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	-	8,172,181	-	8,172,181	8,172,181
Loans and advances to banks	-	1,411	-	1,411	1,411
Financial instruments at fair value through profit or loss	177,450	-	-	177,450	177,450
Loans to customers	-	66,859,261	-	66,859,261	66,859,261
Other financial assets	-	1,014,372	-	1,014,372	1,014,372
	177,450	76,047,225	-	76,224,675	76,224,675
Financial instruments at fair value through profit or loss	44,860	-	-	44,860	44,860
Deposits and balances from banks	-	-	7,757,859	7,757,859	8,124,573
Current accounts and deposits from customers	-	-	28,557,550	28,557,550	29,196,047
Subordinated borrowings	-	-	640,686	640,686	692,932
Other borrowed funds	-	-	16,414,512	16,414,512	16,814,770
Other financial liabilities	-	-	2,595,976	2,595,976	2,595,976
	44,860	-	55,966,583	56,011,443	57,469,158

The estimated fair values of all financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

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.

28 Analysis by segment

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

29 Subsequent event

In December 2013, the Bank placed on the Kazakhstani Stock Exchange KZT denominated bonds. Terms of the bond: fixed coupon rate of 8.5% paid semi-annually, tenor is three years.

Date of placement	Nominal value KZT'000	Nominal price KZT	Net price %	Net value KZT'000
05 Dec 2013	4,383,282	1,000	97.4900	4,273,262
06 Dec 2013	2,616,718	1,000	97.4917	2,551,083
	7,000,000			6,824,345