SB JSC “Bank Home Credit”

Financial Statements
for the year ended 31 December 2013

Contents

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Independent Auditors' Report

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

We have audited the accompanying financial statements of SB JSC "Bank Home Credit" (the "Bank"), which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

KPMG Audit LLC

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

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

11 March 2014

	Note	2013 KZT'000	2012 KZT'000
Interest income	4	26,941,389	15,790,425
Interest expense	4	(5,698,770)	(2,703,649)
Net interest income		**21,242,619**	**13,086,776**
Fee and commission income	5	16,666,478	10,969,339
Fee and commission expense	6	(1,045,316)	(772,880)
Net fee and commission income		**15,621,162**	**10,196,459**
Net (loss)/gain on financial instruments at fair value through profit or loss		(48,960)	109,315
Foreign exchange loss		(67,827)	(220,609)
Other operating income		21,220	5,078
Operating income		**36,768,214**	**23,177,019**
Impairment losses	7	(10,214,534)	(3,564,826)
General administrative expenses	8	(11,244,984)	(6,958,758)
Profit before income tax		**15,308,696**	**12,653,435**
Income tax expense	9	(2,998,281)	(2,985,102)
Profit and total comprehensive income for the year		**12,310,415**	**9,668,333**

The financial statements as set out on pages 5 to 48 were approved by the Board of Directors on 11 March 2014 and were signed on its behalf by:

Vladimir Gasyak
Chairman of the Board

Zhanat Suleimenova
Chief Accountant

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

	Note	2013 KZT'000	2012 KZT'000
ASSETS			
Cash and cash equivalents	10	8,643,115	8,599,544
Loans and advances to banks		2,111	1,411
Financial instruments at fair value through profit or loss	11	-	177,450
Loans to customers	12	101,626,929	66,859,261
Current tax assets		32,011	-
Property, equipment and intangible assets	13	4,382,902	1,052,822
Deferred tax assets	9	75,156	-
Other assets	14	1,291,827	2,373,973
Total assets		**116,054,051**	**79,064,461**
LIABILITIES			
Financial instruments at fair value through profit or loss	11	-	44,860
Deposits and balances from banks	15	8,053,708	7,757,859
Current accounts and deposits from customers	16	46,562,674	28,557,550
Debt securities issued	17	6,847,999	-
Subordinated borrowings	18	640,171	640,686
Other borrowed funds	18	22,901,048	16,414,512
Current tax liability		-	20,690
Deferred tax liability	9	-	82,978
Other liabilities	19	3,103,533	3,244,156
Total liabilities		**88,109,133**	**56,763,291**
EQUITY			
Share capital	20	5,199,503	5,199,503
Statutory reserve capital	20	-	7,347,876
Retained earnings	20	22,745,415	9,753,791
Total equity		**27,944,918**	**22,301,170**
Total liabilities and equity		**116,054,051**	**79,064,461**

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

	2013 KZT'000	2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	25,060,947	14,594,394
Interest payments	(5,478,442)	(2,070,964)
Fee and commission receipts	17,124,338	10,305,021
Fee and commission payments	(1,091,575)	(788,980)
Net receipts/(payments) from financial instruments at fair value through profit or loss	83,630	(25,615)
Net receipts/(payments) from foreign exchange transactions	93,707	(19,098)
Other income receipts	59,092	5,078
General administrative expenses	(9,712,567)	(6,768,936)
(Increase)/decrease in operating assets		
Loans and advances to banks	(700)	(1,411)
Loans to customers	(43,086,230)	(35,977,470)
Other assets	47,451	(16,673)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	135,727	6,056,872
Current accounts and deposits from customers	17,805,080	14,300,765
Other liabilities	(501,856)	19,178
Net cash flow from/(used in) operating activities before income tax paid	**538,602**	**(387,839)**
Income tax paid	(3,209,116)	(2,796,412)
Cash flows used in operations	**(2,670,514)**	**(3,184,251)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(4,002,117)	(610,933)
Proceeds from sale of property and equipment	70,545	9,942
Cash flows used in investing activities	**(3,931,572)**	**(600,991)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated borrowings	-	(1,560,000)
Receipts of other borrowed funds	14,694,232	10,575,847
Repayment of other borrowed funds	(8,211,710)	(1,475,700)
Receipts from the issue of debt securities	6,752,594	-
Dividends paid	(6,666,667)	-
Cash flows from financing activities	**6,568,449**	**7,540,147**
Net (decrease)/increase in cash and cash equivalents	**(33,637)**	**3,754,905**
Effect of changes in exchange rates on cash and cash equivalents	77,208	49,449
Cash and cash equivalents as at the beginning of the year	8,599,544	4,795,190
Cash and cash equivalents as at the end of the year (note 10)	**8,643,115**	**8,599,544**

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

KZT'000	Share capital	Statutory reserve 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 year	-	-	12,310,415	12,310,415
Dividends paid	-	-	(6,666,667)	(6,666,667)
Transfer to statutory reserve capital (note 20)	-	9,668,333	(9,668,333)	-
Statutory reserve dissolution (note 20)	-	(17,016,209)	17,016,209	-
Balance as at 31 Dec 2013	**5,199,503**	**-**	**22,745,415**	**27,944,918**
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 year	-	-	9,668,333	9,668,333
Transfer to statutory reserve capital (note 20)	-	6,045,900	(6,045,900)	-
Balance as at 31 Dec 2012	**5,199,503**	**7,347,876**	**9,753,791**	**22,301,170**

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

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 31 December 2013, the Bank has 16 branches in Kazakhstan and 128 bank offices (31 December 2012: one branch in Astana).

As at 31 December 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 financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis 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 financial statements. Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies in respect of loan impairment is further described in note 12, and in respect of fee and commission income described in note 3(j).

(e) Changes in accounting policies and presentation

Except for the adoption of the new standards and interpretations effective as of 1 January 2013, the accounting policies applied by the Bank in this financial information were consistent with those applied by the Bank in its financial statements as at and for the year ended 31 December 2012.

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

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the prices at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures.* (see note 27).

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

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

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

As the Bank is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Bank.

3 Significant accounting policies

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

Certain comparative amounts have been reclassified to conform to the current year presentation (see note 3(l)).

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year. Non-monetary assets and liabilities 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 National Bank of the Republic of Kazakhstan ("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.

(c) Financial instruments

(i) Classification

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

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

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

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

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 them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(iii) Measurement, continued

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

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

(iv) Amortised cost

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

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(v) Fair value measurement principles, continued

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(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 amortization process.

(vii) Derecognition

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

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.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(vii) Derecognition, continued

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

The Bank writes off assets deemed to be uncollectible.

(viii) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, commodities and stock markets, and any combinations of these instruments. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(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.

(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. The estimated useful lives are as follows:

Buildings	50 years;
Computers	3-5 years;
Vehicles	7 years;
Leasehold improvements	7-10 years;
Other assets	7 years.

3 Significant accounting policies, continued

(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

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

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

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

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

(i) Financial assets carried at amortised cost

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

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

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

3 Significant accounting policies, continued

(f) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

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

(ii) Non financial assets

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.

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.

3 Significant accounting policies, continued

(g) Credit related commitments, continued

Loan commitments are not recognised, except for the followings:

- 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 the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the year 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 for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

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

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

3 Significant accounting policies, continued

(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. The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Bank's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Bank does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company.

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) Segment reporting

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

(l) Comparative information

Prior period reclassification

During the preparation of the Bank's financial statements for the year ended 31 December 2013, management made certain reclassifications affecting the corresponding figures to conform to the presentation of the financial statements for the year ended 31 December 2013.

In the 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
Statement of financial position as at 31 December 2012			
Cash and cash equivalents	8,599,544	1,659,002	6,940,542
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	(1,659,002)	1,659,002
Statement of cash flows for the year ended 31 December 2012			
Mandatory reserve with the National Bank of the Republic of Kazakhstan	-	880,355	(880,355)
Cash flows used in operating activities	(3,184,251)	880,355	(4,064,606)
Cash and cash equivalents as at the beginning of the year	4,795,190	778,647	4,016,543
Cash and cash equivalents as at the end of the year	8,599,544	1,659,002	6,940,542

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

3 Significant accounting policies, continued

(m) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013 and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates general hedge accounting. 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.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014.

4 Net interest income

	2013 KZT'000	2012 KZT'000
Interest income		
Loans to customers	26,941,167	15,790,365
Cash and cash equivalents	222	60
	26,941,389	**15,790,425**
Interest expense		
Current accounts and deposits from customers	(2,665,318)	(1,411,284)
Other borrowed funds	(2,079,464)	(797,995)
Deposits and balances from banks	(846,231)	(365,644)
Subordinated borrowings	(62,553)	(128,726)
Debt securities issued	(45,204)	-
	(5,698,770)	**(2,703,649)**
	21,242,619	**13,086,776**

Included within various line items under interest income in 2013 is a total of KZT 740,742 thousand (2012: KZT 244,851 thousand) accrued on impaired loans (loans with overdue of more than ninety days) to customers.

5 Fee and commission income

	2013 KZT’000	2012 KZT’000
Commission income from insurance	13,555,010	8,737,710
Contractual penalties from customers	1,450,875	652,696
Fees from retailers	1,227,260	1,317,271
Transfer operations	23,348	40,142
Cash withdrawal	5,824	29,204
Other	404,161	192,316
	16,666,478	**10,969,339**

6 Fee and commission expense

	2013 KZT’000	2012 KZT’000
Commissions paid to partners	958,187	700,381
Settlements	20,808	18,980
Card processing	14,666	20,529
Deposit insurance fund contributions	19,363	14,942
Other	32,292	18,048
	1,045,316	**772,880**

7 Impairment losses

	2013 KZT’000	2012 KZT’000
Loans to customers	10,199,004	3,563,988
Other assets	15,530	838
	10,214,534	**3,564,826**

8 General administrative expenses

	2013 KZT’000	2012 KZT’000
Employee compensation and payroll related taxes	5,372,337	3,349,342
Occupancy	772,273	407,224
Information technology	769,920	514,218
Telecommunication and postage	736,066	487,756
Taxes other than income tax	657,342	342,548
Advertising and marketing	623,224	488,354
Professional services	619,247	488,459
Depreciation and amortisation	514,358	280,802
Collectors’ services	401,214	193,470
Travel expenses	334,101	211,185
Other	444,902	195,400
	11,244,984	**6,958,758**

9 Income tax expense

	2013 KZT'000	2012 KZT'000
Current tax expense		
Current year tax expense	3,526,039	2,904,864
Current tax expense (over)/under provided in prior years	(369,624)	50,111
	3,156,415	**2,954,975**
Deffered tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	(158,134)	30,127
Total income tax expense	**2,998,281**	**2,985,102**

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

Reconciliation of effective tax rate:

	2013 KZT'000	%	2012 KZT'000	%
Profit before income tax	**15,308,696**	**100.0**	**12,653,435**	**100.0**
Income tax at the applicable tax rate	3,061,739	20.0	2,530,687	20.0
Non-deductible costs	306,166	2.0	404,304	3.2
(Over)/under provided in prior years	(369,624)	(2.4)	50,111	0.4
	2,998,281	**19.6**	**2,985,102**	**23.6**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2013 and net deferred tax liabilities as at 31 December 2012. These deferred tax assets and liabilities are recognised in these financial statements.

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

Movements in temporary differences in 2013 and 2012 are presented below.

2013 KZT'000	Balance 1 January 2013	Recognised in profit or loss	Balance 31 December 2013
Property, equipment and intangible assets	(23,234)	(56,203)	(79,437)
Other assets	(102,296)	(118,576)	(220,872)
Deposits and balances from banks	-	172,630	172,630
Current accounts and deposits from customers	-	60,245	60,245
Debt securities issued	-	18,181	18,181
Subordinated borrowings	-	34	34
Other liabilities	42,552	81,823	124,375
	(82,978)	**158,134**	**75,156**

2012 KZT'000	Balance 1 January 2012	Recognised in profit or loss	Balance 31 December 2012
Property, equipment and intangible assets	(24,097)	863	(23,234)
Other assets	(46,452)	(55,844)	(102,296)
Other liabilities	17,698	24,854	42,552
	(52,851)	**(30,127)**	**(82,978)**

10 Cash and cash equivalents

	2013 KZT'000	2012 KZT'000
Cash on hand	1,693,251	427,363
Nostro accounts with the NBRK	2,368,683	7,910,651
Nostro accounts with other banks		
- rated A- to A+	4,538,478	216,769
- rated from BBB- to BBB	8,865	31,716
- rated from BB- to BB+	24,118	1,726
- rated below B+	9,720	9,359
- not rated	-	1,960
	8,643,115	**8,599,544**

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

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

As at 31 December 2013 and 31 December 2012 the Bank had exposure towards one banking counterparty exceeding 10% of the Bank's equity. The gross value of this balance as at 31 December 2013 and 31 December 2012 was KZT 4,464,251 thousand and KZT 7,910,651 thousand, respectively.

11 Financial instruments at fair value through profit or loss

	2013 KZT'000	2012 KZT'000
ASSETS		
Derivative financial instruments		
Foreign currency contracts	-	177,450
	-	**177,450**
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	-	44,860
	-	**44,860**

The table below summarises, by major currencies, the contractual amounts of outstanding swap contracts 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 or losses on these unmatured contracts are recognised in profit or loss as net gain/(loss) on financial instruments at fair value through profit or loss.

	Notional amount		Weighted average contractual exchange rates	
	2013 KZT'000	2012 KZT'000	2013	2012
Buy EUR sell KZT				
Between 3 and 12 months	-	2,838,750	-	189.25
Buy USD sell KZT				
Less than 3 months	-	4,123,130	-	152.71

12 Loans to customers

	2013 KZT'000	2012 KZT'000
Loans to individuals		
Cash loans	78,096,152	38,776,612
POS loans*	32,830,465	32,132,030
Credit cards	870,112	35,474
Total loans to individuals	**111,796,729**	**70,944,116**
Impairment allowance	(10,169,800)	(4,084,855)
Net loans to individuals	**101,626,929**	**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 year ended 31 December 2013 are as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the year	2,326,405	1,756,175	2,275	4,084,855
Net charge	7,762,989	2,395,777	40,238	10,199,004
Loans recovered previousely written-off	463,221	379,857	1,402	844,480
Write-offs	(2,803,989)	(2,151,693)	(2,857)	(4,958,539)
Balance at the end of the year	**7,748,626**	**2,380,116**	**41,058**	**10,169,800**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2012 are as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the year	530,075	704,554	34,260	1,268,889
Net charge/(reversal)	2,077,584	1,528,917	(42,513)	3,563,988
Loans recovered previousely written-off	286,772	244,573	22,038	553,383
Write-offs	(568,026)	(721,869)	(11,510)	(1,301,405)
Balance at the end of the year	**2,326,405**	**1,756,175**	**2,275**	**4,084,855**

(a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to individuals				
- not overdue	95,015,147	(939,850)	94,075,297	0.99
- overdue less than 90 days	7,475,484	(3,001,493)	4,473,991	40.15
- overdue 90-360 days	9,306,098	(6,228,457)	3,077,641	66.93
Total loans to individuals	**111,796,729**	**(10,169,800)**	**101,626,929**	**9.10**

12 Loans to customers, continued

(a) Credit quality of loans to customers

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**

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 31 December 2013 total impairement allowance to non-performing loans is 109% (31 December 2012: 116%).

Loans overdue 360 days are written off. The Bank estimated the impairement on loans to customers in accordance with the accounting policy as described in Note 3(c)(i). The key assumptions used in estimating imparement losses for the current year are as follows:

- future loan migration and collection experience will be consistent with recent experience

- unsecured loans which borrowers are unable to repay in full can be partially recovered through further collection actions for 26%-28% of the loan's outstanding principal balances.

(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.

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 31 December 2013 would be KZT 1,016,269 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

As at 31 December 2013, the Bank had no borrowers whose loan balances exceeded 10% of the Bank's equity (31 December 2012: none).

(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.

13 Property, equipment and intangible assets

KZT'000	Land and buildings	Computers	Vehicles	Leasehold improvements	Other property and equipment	Intangible assets	Total
Cost							
Balance at 1 January 2013	-	610,700	107,890	120,381	423,049	495,478	1,757,498
Additions	487,485	1,073,645	40,682	567,863	509,034	1,192,871	3,871,580
Disposals	-	(45,570)	(7,269)	(946)	(43,562)	-	(97,347)
At 31 December 2013	**487,485**	**1,638,775**	**141,303**	**687,298**	**888,521**	**1,688,349**	**5,531,731**
Depreciation and amortisation							
Balance at 1 January 2013	-	(307,950)	(22,876)	(54,974)	(198,505)	(120,371)	(704,676)
Depreciation and amortisation for the year	(2,303)	(244,429)	(18,372)	(37,878)	(105,979)	(105,397)	(514,358)
Disposals	-	44,811	6,776	-	18,618	-	70,205
Balance at 31 December 2013	**(2,303)**	**(507,568)**	**(34,472)**	**(92,852)**	**(285,866)**	**(225,768)**	**(1,148,829)**
Carrying amounts at 31 December 2013	**485,182**	**1,131,207**	**106,831**	**594,446**	**602,655**	**1,462,581**	**4,382,902**
Cost							
Balance at 1 January 2012	-	423,435	67,969	120,376	273,181	323,982	1,208,943
Additions	-	203,510	49,847	5	167,511	171,496	592,369
Disposals	-	(16,245)	(9,926)	-	(17,643)	-	(43,814)
At 31 December 2012	**-**	**610,700**	**107,890**	**120,381**	**423,049**	**495,478**	**1,757,498**
Depreciation and amortisation							
Balance at 1 January 2012	-	(189,769)	(14,426)	(43,088)	(144,167)	(66,197)	(457,647)
Depreciation and amortisation for the year	-	(129,517)	(16,188)	(11,886)	(69,037)	(54,174)	(280,802)
Disposals	-	11,336	7,738	-	14,699	-	33,773
Balance at 31 December 2012	**-**	**(307,950)**	**(22,876)**	**(54,974)**	**(198,505)**	**(120,371)**	**(704,676)**
Carrying amounts at 31 December 2012	**-**	**302,750**	**85,014**	**65,407**	**224,544**	**375,107**	**1,052,822**

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2013 (2012: nil).

14 Other assets

	2013 KZT’000	2012 KZT’000
Receivables from retailer fees	687,048	1,014,372
Total other financial assets	**687,048**	**1,014,372**
Prepayments	287,646	1,054,037
Prepayment of taxes other than income tax	193,817	61,149
Inventory	103,028	143,306
Receivables from employees	29,841	15,746
Other	5,963	85,512
Impairment allowance	(15,516)	(149)
Total other non-financial assets	**604,779**	**1,359,601**
Total other assets	**1,291,827**	**2,373,973**

Analysis of movements in the impairment allowance

Movements in the impairment allowance for other assets for the year ended 31 December are as follows:

	2013 KZT’000	2012 KZT’000
Balance at the beginning of the year	149	-
Net charge	15,530	838
Write-off	(163)	(689)
Balance at the end of the year	**15,516**	**149**

As at 31 December 2013 the Bank had gross overdue receivables of KZT 34,281 thousand (31 December 2012: nil) included in other assets.

15 Deposits and balances from banks

	2013 KZT’000	2012 KZT’000
Vostro accounts	19,810	107,083
Term deposits	8,033,898	7,650,776
	8,053,708	**7,757,859**

As at 31 December 2013 the Bank had one counterparty (31 December 2012: one counterparty), whose balances exceeded 10% of the Bank’s equity. As at 31 December 2013 these balances amounted to KZT 8,045,168 thousand (31 December 2012: KZT 7,757,859 thousand).

16 Current accounts and deposits from customers

	2013 KZT’000	2012 KZT’000
Current accounts and demand deposits		
- Retail	11,135,150	6,407,903
- Corporate	1,790,237	3,807,988
Term deposits		
- Retail	5,892,305	2,405,604
- Corporate	27,744,982	15,936,055
	46,562,674	**28,557,550**

16 Current accounts and deposits from customers, continued

As at 31 December 2013, the Bank had two customers (31 December 2012: one customer), whose balances exceeded 10% of the Bank's equity. As at 31 December 2013 these balances amounted to KZT 16,605,359 thousand (31 December 2012: KZT 8,047,562 thousand).

17 Debt securities issued

	Maturity	Coupon rate, %	2013 KZT'000	2012 KZT'000
Unsecured KZT denominated bonds of the first issue*	November 2016	8.5	**6,847,999**	**-**

* Quoted on the Kazakhstan Stock Exchange

During the year ended 31 December 2013, the Bank placed unsecured bonds under its first debenture issue with the nominal value of KZT 7,000,000 thousand, which bear a fixed coupon rate of 8.5% per annum paid semiannually and maturing in November 2016.

18 Subordinated borrowings and other borrowed funds

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

	Issue date	Maturity date	Currency	Weighted-average effective interest rate, %	2013 KZT'000	2012 KZT'000
Subordinated borrowings from related party	29/06/2009	30/12/2016	KZT	9.64	**640,171**	**640,686**
Other borrowed funds						
Unsecured loans	various tranches issued in the period of 13/12/2012-19/12/2013	various tranches maturing in the period of 31/01/2014-11/06/2015	KZT	14.08	22,901,048	8,051,010
Unsecured loans	28/11/2011	26/07/2013	USD	7.00	-	5,287,208
Unsecured loans	12/06/2012	12/06/2013	EUR	5.10	-	3,076,294
					22,901,048	**16,414,512**

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

	2013 KZT’000	2012 KZT’000
Payables to partners	1,429,613	2,210,380
Payables for services	694,355	385,596
Total other financial liabilities	**2,123,968**	**2,595,976**
Taxes payable other than income tax	417,699	145,682
Payables to employees	374,327	443,021
Vacation reserve	186,754	58,720
Other non-financial liabilities	785	757
Total other non-financial liabilities	**979,565**	**648,180**
Total other liabilities	**3,103,533**	**3,244,156**

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 31 December 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. All shares do not have nominal value.

(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 31 December 2013 the Bank had retained earnings, including profit for the current year, of KZT 22,745,415 thousand (31 December 2012: KZT 9,753,791 thousand).

On 17 September 2013 KZT 6,666,667 thousand was declared and distributed as dividends (KZT 191,076.72 per share), in accordance with the decision of the sole shareholder of the Bank.

(c) Statutory reserve capital

Until 2013, in accordance with the 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 2013, the shareholder approved a transfer of KZT 9,668,333 thousand from retained earnings to this statutory reserve capital (2012: KZT 6,045,900 thousand).

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.

20 Equity, continued

(c) Statutory reserve capital, continued

The Bank's statutory reserve capital was dissolved in accordance with the decision of the sole shareholder on 17 September 2013 as maintaining such a reserve capital was no longer required by regulations and the outstanding balance was transferred to retained earnings.

In accordance with the 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 31 December 2013 was nil.

21 Risk management

Risk management 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 the 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 Loan obligations and collection 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 Loan obligations and collection department reports directly to the Chairman of the 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 Loan obligations and collection 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.

21 Risk management, continued

(b) Market risk, continued

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 ALCO. Market risk limits are approved by the ALCO based on recommendations of the Loan obligations and collection 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.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Financial markets unit 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	Less than 3 months	3-6 months	6-12 months	1-5 years	Carrying amount
31 Dec 2013					
Interest-earning financial assets					
Loans to customers	29,595,135	19,026,229	25,913,491	27,092,074	101,626,929
	29,595,135	**19,026,229**	**25,913,491**	**27,092,074**	**101,626,929**
Interest-bearing financial liabilities					
Deposits and balances from banks	2,438,707	-	5,595,191	-	8,033,898
Term deposits from customers	8,958,876	8,067,050	9,987,107	6,624,254	33,637,287
Debt securities issued	-	90,903	-	6,757,096	6,847,999
Subordinated borrowings	640,171	-	-	-	640,171
Other borrowed funds	3,404,077	10,222,383	3,925,331	5,349,257	22,901,048
	15,441,831	**18,380,336**	**19,507,629**	**18,730,607**	**72,060,403**
Net position as at 31 Dec 2013	**14,153,304**	**645,893**	**6,405,862**	**8,361,467**	**29,566,526**

21 Risk management, continued

(c) Market risk, continued

(i) Interest rate risk, continued

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**

Interest rate sensitivity analysis

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

	2013 KZT'000	2012 KZT'000
100 bp parallel fall	(115,114)	58,093
100 bp parallel rise	115,114	(58,093)

21 Risk management, continued

(b) Market risk, continued

(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 31 December 2013:

	KZT	USD	Other currencies	Total
	KZT'000	KZT'000	KZT'000	KZT'000
ASSETS				
Cash and cash equivalents	3,534,924	4,924,203	183,988	8,643,115
Loans and advances to banks	2,111	-	-	2,111
Loans to customers	101,626,929	-	-	101,626,929
Other financial assets	685,111	-	1,937	687,048
Total assets	**105,849,075**	**4,924,203**	**185,925**	**110,959,203**
LIABILITIES				
Deposits and balances from banks	8,053,708	-	-	8,053,708
Current accounts and deposits from customers	41,481,628	4,952,878	128,168	46,562,674
Debt securities issued	6,847,999	-	-	6,847,999
Subordinated borrowings	640,171	-	-	640,171
Other borrowed funds	22,901,048	-	-	22,901,048
Other financial liabilities	1,975,095	25,681	123,192	2,123,968
Total liabilities	**81,899,649**	**4,978,559**	**251,360**	**87,129,568**
Net position	**23,949,426**	**(54,356)**	**(65,435)**	**23,829,635**

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 31 December 2013 and 31 December 2012 would have improved (reduced) 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 year. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2013 KZT'000	2012 KZT'000
20% appreciation of USD against KZT	(8,697)	(75,340)
20% appreciation of other currencies against KZT	(10,470)	(2,071)

A strengthening of the KZT against the above currencies at 31 December 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 remained 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 Loan obligations and collection department. Apart from individual customer analysis, the credit portfolio is assessed by the Loan obligations and collection 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:

	2013 KZT’000	**2012 KZT’000**
ASSETS		
Cash equivalents	6,949,864	8,172,181
Loans and advances to banks	2,111	1,411
Financial instruments at fair value through profit or loss	-	177,450
Loans to customers	101,626,929	66,859,261
Other financial assets	687,048	1,014,372
Total maximum exposure	**109,265,952**	**76,224,675**

For the analysis of the concentration of credit risk in respect of loans to customers refer to note 12.

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

21 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and liabilities

As at 31 December 2013 and 2012 the Bank is not setting off financial instruments in accordance with IAS 32 and does not have financial instruments which are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments.

(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 Financial markets unit 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 Financial markets unit 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 Financial markets unit. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management.

21 Risk management, continued

(d) Liquidity risk, continued

The following tables show undiscounted cash flows on financial liabilities and credit-related commitments 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 31 December 2013 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	Carrying amount
Liabilities							
Deposits and balances from banks	19,810	2,485,217	-	6,108,895	-	8,613,922	8,053,708
Current accounts and deposits from customers	17,064,073	4,883,319	8,563,763	10,306,648	7,736,654	48,554,457	46,562,674
Debt securities issued	-	-	297,500	304,111	7,965,277	8,566,888	6,847,999
Subordinated borrowings	5,312	10,283	15,424	30,848	763,392	825,259	640,171
Other borrowed funds	3,441,506	-	10,819,547	4,440,715	6,602,600	25,304,368	22,901,048
Other financial liabilities	694,355	1,429,613	-	-	-	2,123,968	2,123,968
Total liabilities	**21,225,056**	**8,808,432**	**19,696,234**	**21,191,217**	**23,067,923**	**93,988,862**	**87,129,568**
Credit related commitments	301,063	-	-	-	-	301,063	301,063
Financial guarantees	5,728	-	-	-	-	5,728	5,728

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
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	105,403	-	-	-	-	105,403	105,403
Financial guarantees	9,914					9,914	9,914

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 breakdown of the carrying amount of such deposits, by each time band, is as follows:

	2013 KZT’000	2012 KZT’000
Demand and less than 1 month	4,135,485	2,134,400
From 1 to 3 months	4,823,392	2,763,311
From 3 to 6 months	8,357,774	7,591,929
From 6 to 12 months	9,696,382	4,284,673
More than 1 year	6,624,254	1,567,346
	33,637,287	**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 31 December 2013:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Overdue	Total
Assets							
Cash and cash equivalents	8,643,115	-	-	-	-	-	8,643,115
Loans and advances to banks	-	-	-	2,111	-	-	2,111
Loans to customers	10,465,830	15,427,254	44,939,720	27,092,074	-	3,702,051	101,626,929
Current tax assets	-	-	32,011	-	-	-	32,011
Property, equipment and intangible assets	-	-	-	-	4,382,902	-	4,382,902
Deferred tax assets	-	-	-	75,156	-	-	75,156
Other assets	512,273	427,353	211,750	121,685	-	18,766	1,291,827
Total assets	**19,621,218**	**15,854,607**	**45,183,481**	**27,291,026**	**4,382,902**	**3,720,817**	**116,054,051**
Liabilities							
Deposits and balances from banks	19,810	2,438,707	5,595,191	-	-	-	8,053,708
Current accounts and deposits from customers	17,060,872	4,823,392	18,054,156	6,624,254	-	-	46,562,674
Debt securities issued	-	-	90,903	6,757,096	-	-	6,847,999
Subordinated borrowings	171	-	-	640,000	-	-	640,171
Other borrowed funds	3,404,077	-	14,147,714	5,349,257	-	-	22,901,048
Other liabilities	1,068,682	1,847,312	187,539	-	-	-	3,103,533
Total liabilities	**21,553,612**	**9,109,411**	**38,075,503**	**19,370,607**	**-**	**-**	**88,109,133**
Net position	**(1,932,394)**	**6,745,196**	**7,107,978**	**7,920,419**	**4,382,902**	**3,720,817**	**27,944,918**

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 31 December 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 31 December 2013 and 31 December 2012.

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

	2013 KZT’000	2012 KZT’000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Statutory reserve capital of prior years	-	1,301,976
Retained earnings of prior years	10,435,000	6,131,358
Intangible assets	(256,072)	(375,107)
Total tier 1 capital	**15,378,431**	**12,257,730**
Tier 2 capital		
Profit for the year	12,310,415	9,668,333
Subordinated borrowings	384,000	640,000
Total tier 2 capital	**12,694,415**	**10,308,333**
Total capital	**28,072,846**	**22,566,063**
Total credit risk-weighted assets	**85,067,668**	**68,991,760**
Total credit risk-weighted assets and liabilities, including market and operational risk	**94,908,228**	**87,418,272**
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	**29.6%**	**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)	**16.2%**	**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.

	2013 KZT’000	2012 KZT’000
Contracted amount		
Loan and credit line commitments	301,063	105,403
Guarantees and letters of credit	5,728	9,914
	306,791	**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.

As at 31 December 2013 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank’s equity (31 December 2012: none).

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 2013 KZT 654,165 thousand was recognized as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (2012: KZT 247,800 thousand).

As at 31 December 2013 the Bank reported KZT 18,027 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 the 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 (Russia). The Bank's ultimate controlling owner is Petr Kellner. Publicly available financial statements are produced by the Bank's parent company.

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

Total remuneration included in personnel expenses for the year ended 31 December 2013 and 31 December 2012 was as follows:

	2013 KZT'000	**2012 KZT'000**
Members of the Board of Directors	128,415	109,085
Members of the Management Board	291,294	131,644
	419,709	**240,729**

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

	2013 KZT'000	**Average interest rate, %**	**2012 KZT'000**	**Average interest rate, %**
Statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	3,539	2	-	-

Total amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for 2013 and 2012 were as follows:

Statement of comprehensive income	**2013 KZT'000**	**2012 KZT'000**
Interest expense	20	7
	20	**7**

26 Related party transactions, continued

(c) Transactions with the parent

As described in Note 1 (b) in January 2013 there was change of the shareholder of the Bank. As at 31 December 2012, transactions with the parent includes balances with Home Credit and Finance Bank as there was exercisable call option. Profit or loss for the year ended 31 December 2013 include transactions with Home Credit and Finance Bank. Profit or loss for the year ended 31 December 2012 do not include any transactions with the parent as there was no operations with Richard Benysek.

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

Statement of financial position	**2013 KZT’000**	**Average interest rate, %**	**2012 KZT’000**	**Average interest rate, %**
ASSETS				
Cash and cash equivalents				
-In USD	55	-	-	-
-In EUR	83	-	-	-
-In RUB	37	-	-	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	8,540	-	-	-
Other borrowed funds				
-In KZT	11,150,645	13.93	1,559,692	13.50
-In USD	-	-	5,287,208	7.25

During 2013 transactions with the parent included in the statement of profit or loss and other comprehensive income were as follows:

Statement of profit or loss and other comprehensive income	**2013 KZT’000**
Interest expense	
Other borrowed funds	
-In KZT	600,160
-In USD	204,899
	805,059
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 2012.

26 Related party transactions, continued

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

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

Statement of financial Position	2013 KZT'000	Average interest rate, %	2012 KZT'000	Average interest rate, %
ASSETS				
Other assets				
-In KZT	-	-	565,575	-
-In EUR	-	-	701,752	-
Property, equipment and intangible assets				
-In KZT	970,652	-	-	-
LIABILITIES				
Financial instruments at fair value through profit or loss				
-In KZT	-	-	44,860	-
Deposits and balances from banks				
-In KZT	8,045,168	12.88	7,757,859	12.08
Current accounts and deposits from customers				
-In KZT	578,190	8.00	937,830	6.75
Subordinated borrowings				
-In KZT	640,171	9.64	640,686	9.64
Other borrowed funds				
-In KZT	11,750,403	16.51	6,491,318	11.64
Other financial liabilities				
-In KZT	92,678	-	18,727	-

During 2013 transactions with entities controlled by the ultimate controlling owner included in the statement of profit or loss and other comprehensive income were as follows:

Statement of profit or loss and other comprehensive income	2013 KZT'000
Interest expense	
Current accounts and deposits from customers	41,764
Other borrowed funds	1,186,984
Deposits and balances from banks	845,305
Subordinated borrowings	62,553
	2,136,606
Net loss on financial instruments at fair value through profit or loss	
Foreign currency contracts	5,270
	5,270
General administrative expenses	
General administrative expenses	876,357
	876,357

During 2012, the Bank had no profit and loss transactions with entities controlled by the ultimate controlling owner.

27 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

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.

As at 31 December 2013 and 2012 estimated fair values of all financial instruments approximate their carrying values as majority of loans to customers, subordinated borrowings, other borrowed fund and debt securities are issued at market conditions and the interest rates on these financial instruments in 2013 has not changed significantly in comparison with last years.

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

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

KZT'000	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	6,949,864	-	6,949,864	6,949,864
Loans and advances to banks	2,111	-	2,111	2,111
Loans to customers	101,626,929	-	101,626,929	101,626,929
Other financial assets	1,291,827	-	1,291,827	1,291,827
	109,870,731	-	**109,870,731**	**109,870,731**
Deposits and balances from banks	-	8,053,708	8,053,708	8,053,708
Current accounts and deposits from customers	-	46,562,674	46,562,674	46,562,674
Debt securities issued	-	6,847,999	6,847,999	6,847,999
Subordinated borrowings	-	640,171	640,171	640,171
Other borrowed funds	-	22,901,048	22,901,048	22,901,048
Other financial liabilities	-	2,123,968	2,123,968	2,123,968
	-	**87,129,568**	**87,129,568**	**87,129,568**

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

(a) Accounting classifications and fair values, continued

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

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**

(b) Fair value hierarchy

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

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

As at 31 December 2013 the carrying value of all Bank's financial instruments approximates their fair value, accordingly no disclosure of fair value hierarchy is presented.

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 events

(a) Devaluation

On 11 February 2014, the National Bank of the Republic of Kazakhstan (“the NBRK”) announced that it was devaluing the KZT. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, down approximately 19% from the previous day’s close of KZT 155.63 per USD. As the devaluation occurred after the reporting date, these financial statements have not been adjusted for the rate change.

Management is still in the process of evaluating the effects of the devaluation on the Bank but does not expect the operational impact to be significant. See note 21(b) for details of the Bank’s exposure to foreign currency risk at the reporting date. Management’s current assessment is that the devaluation will not affect the Bank’s ability to comply with its NBRK prudential requirements and meet its existing contractual obligations.

(b) Placement of bonds

In February 2014, the Bank placed on the Kazakhstan Stock Exchange KZT denominated bonds under the first issue within its second debenture program. Bonds were issued at fixed coupon rate of 9.5% per annum paid semi-annually and the tenor is five years.

Date of placement	Nominal value KZT’000	Nominal price KZT	Net price %	Net value KZT’000
18 Feb 2014	3,768,502	1,000	98.0711	3,695,811
21 Feb 2014	3,000,000	1,000	98.0719	2,942,157
	6,768,502			**6,637,968**