

**Home Credit Bank JSC**

Condensed Interim Financial Statements  
for the three month period ended

31 March 2013

(unaudited)

**Contents**

Condensed Interim Statement of Comprehensive Income	3
Condensed Interim Statement of Financial Position	4
Condensed Interim Statement of Cash Flows	5
Condensed Interim Statement of Changes in Equity	6
Notes to the Condensed Interim Financial Statements	7-21



*Home Credit Bank JSC*  
*Condensed Interim Statement of Financial Position*  
*as at 31 March 2013*

		31 Mar 2013	31 Dec 2012
	Note	KZT'000	KZT'000
<b>ASSETS</b>			
Cash and cash equivalents	12	7,656,217	6,940,542
Mandatory reserve with the National Bank of the Republic of Kazakhstan	12	1,585,639	1,659,002
Loans and advances to banks		1,573	1,411
Financial instruments at fair value through profit or loss	13	76,350	177,450
Loans to customers	14	70,028,085	66,859,261
Current tax assets		80,129	-
Property, equipment and intangible assets	15	1,129,445	1,052,822
Other assets	16	1,726,021	2,373,973
<b>Total assets</b>		<b>82,283,459</b>	<b>79,064,461</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss	13	57,930	44,860
Deposits and balances from banks	17	6,138,034	7,757,859
Current accounts and deposits from customers	18	32,182,183	28,557,550
Subordinated borrowings	19	640,342	640,686
Other borrowed funds	19	16,582,574	16,414,512
Current tax liabilities		-	20,690
Deferred tax liability		91,345	82,978
Other liabilities	20	2,314,358	3,244,156
<b>Total liabilities</b>		<b>58,006,766</b>	<b>56,763,291</b>
<b>EQUITY</b>			
Share capital	21	5,199,503	5,199,503
Statutory reserve capital	21	7,347,876	7,347,876
Retained earnings		11,729,314	9,753,791
<b>Total equity</b>		<b>24,276,693</b>	<b>22,301,170</b>
<b>Total liabilities and equity</b>		<b>82,283,459</b>	<b>79,064,461</b>

*Home Credit Bank JSC*  
*Condensed Interim Statement of Cash Flows*  
*for the three month period ended 31 March 2013*

	3 months ended 31 Mar 2013 <u>KZT'000</u>	3 months ended 31 Mar 2012 <u>KZT'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	4,958,656	3,115,736
Interest payments	(929,838)	(447,720)
Fee and commission receipts	3,520,118	1,835,690
Fee and commission payments	(243,802)	(182,714)
Net payments from financial instruments at fair value through profit or loss	(57,650)	(22,120)
Net payments from foreign exchange	(31,005)	(3,385)
Other income receipts (payments)	14,473	(322)
General administrative expenses	(2,139,412)	(1,371,467)
<b>Decrease/(increase) in operating assets</b>		
Mandatory reserve with the National Bank of the Republic of Kazakhstan	73,363	(96,602)
Loans and advances to banks	(162)	-
Loans to customers	(5,845,115)	(4,395,970)
Other assets	(68,359)	(6,083)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks	(1,599,080)	49,778
Current accounts and deposits from customers	3,942,180	3,431,359
Other liabilities	17,725	41,594
<b>Net cash flow from operating activities before income tax paid</b>	<b>1,612,092</b>	<b>1,947,774</b>
Income tax paid	(686,575)	(472,691)
<b>Cash flow from operations</b>	<b>925,517</b>	<b>1,475,083</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, equipment and intangible assets	(219,612)	(71,910)
Proceeds from sale of property and equipment	165	9,117
<b>Cash flow used in investing activities</b>	<b>(219,447)</b>	<b>(62,793)</b>
<b>Net increase in cash and cash equivalents</b>	<b>706,070</b>	<b>1,412,290</b>
Effect of changes in exchange rates on cash and cash equivalents	9,605	(6,830)
Cash and cash equivalents as at 1 January	6,940,542	4,016,543
<b>Cash and cash equivalents as at 31 March</b>	<b>7,656,217</b>	<b>5,422,003</b>

*Home Credit Bank JSC*  
*Condensed Interim Statement of Changes in Equity*  
*for the three month period ended 31 March 2013*

<b>KZT'000</b>	<b>Share capital</b>	<b>Statutory reserve capital</b>	<b>Retained earnings</b>	<b>Total Equity</b>
Balance as at 1 January 2012	5 199 503	1 301 976	6 131 358	12 632 837
Profit and total comprehensive income for the period	-	-	2 093 506	2 093 506
<b>Balance as at 31 March 2012</b>	<b>5 199 503</b>	<b>1 301 976</b>	<b>8 224 864</b>	<b>14 726 343</b>
Balance as at 1 January 2013	5 199 503	7 347 876	9 753 791	22 301 170
Profit and total comprehensive income for the period	-	-	1 975 523	1 975 523
<b>Balance as at 31 March 2013</b>	<b>5 199 503</b>	<b>7 347 876</b>	<b>11 729 314</b>	<b>24 276 693</b>

## **1 Background**

### **(a) Organisation and operations**

Private Bank FTD was established in 1993 and subsequently renamed 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 as Home Credit Bank JSC.

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 received from the Financial Markets and Organizations Supervisory and Regulatory Agency on 28 November 2008.

The registered address of the Bank’s head office is 248, Furmanov Street, Almaty, Republic of Kazakhstan, 050059. The Bank has branches in Astana, Aktau, Petropavlovsk, Pavlodar, Kokshetau and Uralsk.

As at 31 March 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 share in the Bank 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 being developed, 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 condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Bank since the last annual financial statements as at and for the year ended 31 December 2012. These condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

### **(b) Basis of measurement**

The condensed interim 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.

### **(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 condensed interim financial statements. Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Use of estimates and judgments**

The preparation of the condensed interim 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 period in which the estimates are revised and in any future periods affected.

## **3 Significant accounting policies**

The significant accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the Bank's annual financial statements for the year ended 31 December 2012.

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

### **(a) Comparative information**

#### *Prior period reclassification*

During the preparation of the Bank's condensed interim financial statements for the three month period ended 31 March 2013, management made certain reclassifications affecting the three month period ended 31 March 2012 corresponding figures to conform to the presentation of the financial statements for the three month period ended 31 March 2013.

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	<u>As reclassified</u>	<u>Effect of reclassifications</u>	<u>As previously reported</u>
<b>Statement of comprehensive income for the three month ended 31 March 2012</b>			
Interest income	3,207,890	155,928	3,051,962
Fee and commission expense	(188,678)	(114,260)	(74,418)
General administrative expenses	(1,255,893)	(41,668)	(1,214,225)

The above reclassifications do not impact the net results for the three-month period or equity.

Management has considered the requirement, in the case of changes in classifications to provide three statements of financial position and related notes, and determined that the changes in classifications do not impact the net financial position.

**(b) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations were not yet effective as at 31 March 2013, and were 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 is in the process of analysing the likely impact on its financial position or performance.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Bank does not intend to adopt this standard early.
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

### 3 Significant accounting policies, continued

#### (b) New standards and interpretations not yet adopted, continued

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 April 2013.

### 4 Financial risk management

All aspects of the Bank's financial risk management objectives and policies are consistent with those disclosed in the Bank's financial statements for the year ended 31 December 2012.

### 5 Net interest income

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
<b>Interest income</b>		
Loans to customers	5,254,617	3,207,854
Cash and cash equivalents	194	36
	<u>5,254,811</u>	<u>3,207,890</u>
<b>Interest expense</b>		
Current accounts and deposits from customers	470,949	241,896
Other borrowed funds	361,287	97,468
Deposits and balances from banks	209,944	31,724
Subordinated borrowings	15,424	53,609
	<u>1,057,604</u>	<u>424,697</u>
	<u>4,197,207</u>	<u>2,783,193</u>

## 6 Fee and commission income

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Insurance agency services	2,340,260	1,474,961
Fees from retailers	259,343	282,583
Contractual penalties from customers	255,816	137,887
Transfer operations	5,540	11,007
Cash withdrawal	1,733	9,626
Other	70,119	39,972
	<b>2,932,811</b>	<b>1,956,036</b>

## 7 Fee and commission expense

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Commission paid to the partners	223,882	175,903
Card processing	7,050	3,114
Settlement	6,007	4,064
Deposit insurance fund contributions	5,012	1,800
Other	2,687	3,797
	<b>244,638</b>	<b>188,678</b>

## 8 Foreign exchange income

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Foreign currency gain	62,549	13,549
Trading gain	2,001	3,956
	<b>64,550</b>	<b>17,505</b>

## 9 Impairment losses

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Loans to customers	(2,150,257)	(478,990)
Other assets	(33)	-
	<b>(2,150,290)</b>	<b>(478,990)</b>

## 10 General administrative expenses

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Employee compensation and payroll related taxes	991,345	623,025
Professional services	205,628	75,072
Information technology	162,093	123,648
Telecommunication and postage	153,270	98,342
Occupancy	136,375	53,619
Tax other than on income	111,068	81,496
Advertising and marketing	97,234	26,566
Depreciation and amortisation	91,256	65,181
Travel expenses	65,785	47,847
Other	58,593	61,097
	<u>2,072,647</u>	<u>1,255,893</u>

## 11 Income tax expense

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Current year tax expense	585,756	702,088
Current tax expense under/(over) provided in prior years	-	23,229
Deferred taxation movement due to origination and reversal of temporary differences	8,367	6,607
Total income tax expense	<u>594,123</u>	<u>731,924</u>

## 12 Cash and cash equivalents

	31 Mar 2013 KZT'000	31 Dec 2012 KZT'000
Cash on hand	757,498	427,363
<b>Nostro accounts with the National Bank of the Republic of Kazakhstan</b>	7,235,890	7,910,651
<b>Placements with banks</b>		
- Nostro accounts:		
- rated A- to A+	1,092,180	216,769
- rated BBB- to BBB	53,487	31,716
- rated from BB- to BB+	92,966	1,726
- rated below B+	7,837	9,359
- not rated	1,998	1,960
Mandatory reserve requirements with the National Bank of the Republic of Kazakhstan	(1,585,639)	(1,659,002)
	<u>7,656,217</u>	<u>6,940,542</u>

Under Kazakhstan legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. The mandatory reserve requirements are not considered to be cash equivalents due to restrictions on their withdrawability.

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

As at 31 March 2013 and 31 December 2012 the Bank had no exposures towards one banking counterparty exceeding 10% of the Bank's equity, except for exposure to the National Bank of Republic of Kazakhstan. The gross value of this balance as at 31 March 2013 and 31 December 2012 was KZT 7,235,890 thousand and KZT 7,910,651 thousand, respectively.

### 13 Financial instruments at fair value through profit or loss

	<u>31 Mar 2013</u>	<u>31 Dec 2012</u>
	<u>KZT'000</u>	<u>KZT'000</u>
<b>ASSETS</b>		
<b>Derivative financial instruments</b>		
Foreign currency contracts	76,350	177,450
	<u>76,350</u>	<u>177,450</u>
<b>LIABILITIES</b>		
<b>Derivative financial instruments</b>		
Foreign currency contracts	57,930	44,860
	<u>57,930</u>	<u>44,860</u>

### 14 Loans to customers

	<u>31 Mar 2013</u>	<u>31 Dec 2012</u>
	<u>KZT'000</u>	<u>KZT'000</u>
<b>Loans to individuals</b>		
Cash loans	44,254,335	38,776,612
POS loans	31,333,528	32,132,030
Credit cards	57,077	35,474
<b>Total loans to individuals</b>	<u>75,644,940</u>	<u>70,944,116</u>
Impairment allowance	(5,616,855)	(4,084,855)
<b>Net loans to individuals</b>	<u>70,028,085</u>	<u>66,859,261</u>

## 14 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the three month period ended 31 March 2013 are as follows:

	Cash loans <u>KZT'000</u>	POS loans <u>KZT'000</u>	Credit cards <u>KZT'000</u>	Total <u>KZT'000</u>
Balance at the beginning of the three-month period	2 326 405	1 756 175	2 275	4 084 855
Charge	1 467 994	676 890	5 373	2 150 257
(Write offs)/Recovery	<u>(234 182)</u>	<u>(384 394)</u>	<u>319</u>	<u>(618 257)</u>
<b>Balance at the end of the three-month period</b>	<b><u>3 560 217</u></b>	<b><u>2 048 671</u></b>	<b><u>7 967</u></b>	<b><u>5 616 855</u></b>

Movements in the loan impairment allowance by classes of loans to customers for the three month period ended 31 March 2012 are as follows:

	Cash loans <u>KZT'000</u>	POS loans <u>KZT'000</u>	Credit cards <u>KZT'000</u>	Total <u>KZT'000</u>
Balance at the beginning of the three-month period	530,075	704,554	34,260	1,268,889
Net charge/(reversal)	224,435	281,610	(27,055)	478,990
(Write offs)/Recovery	<u>(9,010)</u>	<u>(53,063)</u>	<u>4,455</u>	<u>(57,618)</u>
<b>Balance at the end of the three-month period</b>	<b><u>745,500</u></b>	<b><u>933,101</u></b>	<b><u>11,660</u></b>	<b><u>1,690,261</u></b>

## 15 Property, equipment and intangible assets

	31 Mar 2013 <u>KZT'000</u>	31 Dec 2012 <u>KZT'000</u>
Acquization cost	1,923,090	1,757,479
Accumulated depreciation	<u>(793,645)</u>	<u>(704,657)</u>
<b>Carrying amount</b>	<b><u>1,129,445</u></b>	<b><u>1,052,822</u></b>

## 16 Other assets

	<u>31 Mar 2013</u> KZT'000	<u>31 Dec 2012</u> KZT'000
Receivables from partners	478,533	1,014,372
<b>Total other financial assets</b>	<b>478,533</b>	<b>1,014,372</b>
Prepayments	943,900	1,054,037
Materials	107,132	143,306
Prepayments of taxes other than on income	93,612	61,149
Receivables from employees	16,911	15,746
Other	86,115	85,512
Impairment allowance	(182)	(149)
<b>Total other non-financial assets</b>	<b>1,247,488</b>	<b>1,359,601</b>
<b>Total other assets</b>	<b>1,726,021</b>	<b>2,373,973</b>

## 17 Deposits and balances from banks

	<u>31 Mar 2013</u> KZT'000	<u>31 Dec 2012</u> KZT'000
Vostro accounts	5,003	107,083
Term deposits	6,133,031	7,650,776
	<b>6,138,034</b>	<b>7,757,859</b>

As at 31 March 2013 the Bank has deposits from one counterparty (31 December 2012: one counterparty) exceeding 10% of the Bank's equity. Such balances totalled KZT 6,138,034 thousand as at 31 March 2013 (31 December 2012: KZT 7,257,859 thousand).

## 18 Current accounts and deposits from customers

	<u>31 Mar 2013</u> KZT'000	<u>31 Dec 2012</u> KZT'000
Current accounts and demand deposits		
- Retail	6,866,145	6,407,903
- Corporate	4,315,247	3,807,988
Term deposits		
- Retail	2,636,395	2,405,604
- Corporate	18,364,396	15,936,055
	<b>32,182,183</b>	<b>28,557,550</b>

As at 31 March 2013 the Bank has balances with two customers (31 December 2012: one customer) exceeding 10% of the Bank's equity. Such balances totalled KZT 17,284,635 thousand as at 31 March 2013 (31 December 2012: KZT 8,047,562 thousand).

## 19 Other borrowed funds and subordinated borrowings

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

	Issue date	Maturity date	Currency	Interest rate	31 Mar 2013 KZT'000	31 Dec 2012 KZT'000
<b>Subordinated borrowings</b>	29.06.2009	30.12.2016	KZT	variable	<u>640,342</u>	<u>640,686</u>
<b>Other borrowed funds</b>						
HOME CREDIT & FINANCE BANK	28.11.2011	26.07.2013	USD	7.25%	5,383,670	5,287,208
HOME CREDIT & FINANCE BANK	05.09.2012	04.03.2013	KZT	13.10%	-	1,559,692
HOME CREDIT & FINANCE BANK	04.03.2013	03.06.2013	KZT	10.00%	1,507,220	-
AIR BANK A.S.	16.04.2012	31.10.2014	KZT	variable	6,668,482	6,491,318
ING Bank N.V.	12.06.2012	12.06.2013	EUR	5.22%	3,023,202	3,076,294
					<u>16,582,574</u>	<u>16,414,512</u>

### Subordinated borrowings

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

## 20 Other liabilities

	31 Mar 2013 KZT'000	31 Dec 2012 KZT'000
Payables to partners	1,385,320	2,210,380
Payables for services	458,613	385,596
<b>Total other financial liabilities</b>	<u>1,843,933</u>	<u>2,595,976</u>
Payables to employees	259,806	443,021
Taxes payable other than on income	165,691	145,682
Vacation reserve	43,542	58,720
Other non-financial liabilities	1,386	757
<b>Total other non-financial liabilities</b>	<u>470,425</u>	<u>648,180</u>
<b>Total other liabilities</b>	<u>2,314,358</u>	<u>3,244,156</u>

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



## **21 Share capital**

### **(a) Issued capital**

As at 31 March 2013 the authorised share capital comprised 160,240 ordinary shares (31 December 2012: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2012: 34,890 ordinary shares).

### **(b) Dividends**

In accordance with Kazakhstan legislation the distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the quarter, semi-annual period or year if there is an accumulated loss brought forward. As at 31 March 2013 the Bank had retained earnings, including profit for the three month period ended 31 March 2013 of KZT 11,729,314 thousand (31 December 2012: KZT 9,753,791 thousand).

No dividends were declared for the three month period ended 31 March 2013 (three month period ended 31 March 2012: nil).

### **(c) Statutory reserve capital**

In accordance with Resolution No.196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the Committee on 28 August 2009, banks should establish reserve capital 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 during the preceding year. Such percentage increase should be not less than 10% and not more than 100%. Classified Assets and Contingent Liabilities are defined in Resolution No.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.

In 2012 the shareholders approved a transfer of KZT 6,045,900 thousand from retained earnings to the statutory reserve capital.

Recently, in line with amendments to the *Law On Banks and Banking Activity in the Republic of Kazakhstan*, the National Bank has circulated draft Resolution On Approval of the Rules of Formation of Dynamic Reserve by Second-tier Banks and Establishment of Minimum Size of Dynamic Reserve and Expected Losses which annuls Resolution No.196 and establishes requirement to form minimum dynamic reserve. Resolution will become effective as of 1 January 2013 provided it is registered in the Ministry of Justice.

## **22 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 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 represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

## 22 Commitments, continued

	<u>31 Mar 2013</u>	<u>31 Dec 2012</u>
	<u>KZT'000</u>	<u>KZT'000</u>
<b>Contracted amount</b>		
Loan and credit line commitments	122,477	105,403
Guarantees	5,728	9,914
	<u><u>128,205</u></u>	<u><u>115,317</u></u>

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 March 2013 the Bank had no exposures towards customers exceeding 10% of the Bank's equity (31 December 2012: nil).

## 23 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. All 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.

As at 31 March 2013 the Bank had no non-cancelable operating lease payables (31 December 2012: nil). During the three month period ended 31 March 2013 KZT 122,404 thousand was recognized as an expense in statement of comprehensive income in respect of operating leases (for the three month period ended 31 March 2012: KZT 53,324 thousand).

## 24 Contingencies

### (a) Insurance

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

### (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 three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events in Kazakhstan suggest that the tax authorities are taking more assertive position in their interpretation and enforcement of tax legislation.

## 24 Contingencies, continued

### (c) Taxation contingencies, continued

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

## 25 Related party transactions

### (a) Control relationships

As at 31 March 2013 and as at 31 December 2012 the Bank's ultimate controlling owner was Petr Kellner. Please refer to Note 1(a) for details.

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

Total remuneration included in personnel expenses for the three month period ended 31 March 2013 and for the three month period ended 31 March 2012 is as follows:

	3 months ended 31 Mar 2013 KZT'000	3 months ended 31 Mar 2012 KZT'000
Members of the Board of Directors	80,351	60,188
Members of the Management Board	78,241	55,615
	<u>158,592</u>	<u>115,803</u>

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

	31 Mar 2013 KZT'000	Average interest rate, %	31 Dec 2012 KZT'000	Average interest rate, %
<b>Statement of Financial Position</b>				
<b>LIABILITIES</b>				
Current accounts and deposits from customers	<u>4,565</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the three month period ended 31 March 2013 and for the three month period ended 31 March 2012 were as follows:

	31 Mar 2013 KZT'000	31 Mar 2012 KZT'000
<b>Statement of comprehensive income</b>		
Interest expense	<u>-</u>	<u>6</u>

## 25 Related party transactions, continued

### (c) Transactions with other related parties

Other related parties as at 31 March 2013 included subsidiaries and associates of the ultimate controlling owner.

Amounts included in the statement of comprehensive income for the three month period ended 31 March 2013 were as follows:

	3 months ended 31 Mar 2013 <u>KZT'000</u>
<b>Statement of comprehensive income</b>	
<b>Interest expense</b>	
Current accounts and deposits from customers	
-In KZT	(10,784)
Other borrowed funds	
-In KZT	(184,164)
-In USD	(138,398)
Deposits and balances from banks	
-In KZT	(209,944)
Subordinated borrowings	
-In KZT	<u>(15,424)</u>
	<b>(558,714)</b>
<b>Fee and commission income</b>	
Insurance agency services	
-In KZT	<u>2,340,260</u>
	<b>2,340,260</b>
<b>Net loss on financial instruments at fair value through profit or loss</b>	
Foreign currency contracts	
-In KZT	<u>(57,930)</u>
	<b>(57,930)</b>
<b>General administrative expenses</b>	
Professional services	
-In EUR	(72,571)
Information technology	
-In EUR	<u>(124,816)</u>
	<b>(197,387)</b>

## 26 Related party transactions, continued

### (c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 March 2013 and as at 31 December 2012 with other related parties were as follows:

	<u>31 Mar 2013</u>	<u>Average interest</u>	<u>31 Dec 2012</u>	<u>Average interest</u>
	<u>KZT'000</u>	<u>rate, %</u>	<u>KZT'000</u>	<u>rate, %</u>
<b>Statement of Financial Position</b>				
<b>ASSETS</b>				
Other Assets				
-In KZT	112,673	0.00%	565,575	0.00%
-In EUR	<u>755,080</u>	<u>0.00%</u>	<u>701,752</u>	<u>0.00%</u>
<b>LIABILITIES</b>				
Financial instruments at fair value through profit and loss				
-In KZT	57,930	0.00%	44,860	0.00%
Deposits and balances from banks				
-In KZT	6,138,034	11.57%	7,757,859	12.08%
Current accounts and deposits from customers				
-In KZT	821,716	5.38%	937,830	6.75%
Subordinated borrowings				
-In KZT	640,342	9.64%	640,686	9.64%
Other borrowed funds				
-In KZT	8,175,702	11.75%	8,051,010	11.74%
-In USD	5,383,670	7.25%	5,287,208	7.25%
Other liabilities				
-In KZT	<u>49,143</u>	<u>0.00%</u>	<u>18,727</u>	<u>0.00%</u>

## 27 Subsequent event

On 4 April 2013 the Bank was renamed to Subsidiary Bank Joint-Stock Company “Home Credit and Finance Bank”. In this connection the banking licence #1.1.188 was reissued by the Committee for the Control and Supervision of the Financial Markets and Organisations of the National Bank of the Republic of Kazakhstan on 14 May 2013.