Tsesnabank JSC

Consolidated Interim
Financial Statements

for the nine-month period ended
30 September 2013

Contents

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

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

Independent Auditors' Report on Interim Financial Statements

To the Board of Directors of Tsesnabank JSC

We have audited the accompanying consolidated interim financial statements of Tsesnabank JSC and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as at 30 September 2013, and the consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month periods ended 30 September 2013 and 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Interim Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim 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 consolidated interim financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim 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 consolidated interim 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 consolidated interim 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 consolidated interim financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2013, and its financial performance and its cash flows for the nine-month periods ended 30 September 2013 and 2012 in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Alla Nigay
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.536
of 10 January 2003

Ashley Clarke
Audit Partner

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

13 January 2014

	Note	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Interest income	4	57,363,233	40,145,506
Interest expense	4	(29,494,766)	(19,826,314)
Net interest income		**27,868,467**	**20,319,192**
Fee and commission income	5	6,494,767	6,940,539
Fee and commission expense	6	(1,608,663)	(979,733)
Net fee and commission income		**4,886,104**	**5,960,806**
Gross insurance premiums written	7	12,114,077	7,357,968
Written premiums ceded to reinsurers	7	(9,258,098)	(3,536,023)
Net insurance premiums written		**2,855,979**	**3,821,945**
Change in the gross provision for unearned premiums	7	(69,232)	(2,530,219)
Reinsurer's share of change in the gross provision for unearned premiums	7	959,686	1,444,557
Net earned insurance premiums		**3,746,433**	**2,736,283**
Insurance claims incurred		(2,233,433)	(532,689)
Reinsurers' share of insurance claims incurred		1,408,382	93,536
Insurance claims incurred, net of reinsurance	8	(825,051)	(439,153)
Change in gross insurance contract provisions	8	62,077	(105,892)
Change in reinsurers' share in insurance contract provisions	8	(419,319)	9,206
Net insurance claims incurred		**(1,182,293)**	**(535,839)**
Net gain on financial instruments at fair value through profit or loss	9	6,221	231,940
Net foreign exchange income	10	2,323,741	1,299,496
Dividend income		2,742	17,918
Other income		54,828	73,155
Other operating income		**2,387,532**	**1,622,509**
Impairment losses	11	(10,093,939)	(3,485,701)
Personnel expenses	12	(7,852,089)	(6,138,531)
Other general administrative expenses	13	(8,695,058)	(6,793,458)
Other operating expenses		**(26,641,086)**	**(16,417,690)**
Profit before income tax		**11,065,157**	**13,685,261**
Income tax expense	14	(2,076,429)	(2,542,366)
Profit for the period		**8,988,728**	**11,142,895**
Profit attributable to:			
- Equity holders of the Bank		8,988,728	11,145,786
- Non-controlling interests		-	(2,891)
Profit for the period		**8,988,728**	**11,142,895**

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

	Note	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(10,434)	(21,984)
- Net change in fair value transferred to profit and loss		22,923	-
Foreign currency translation differences for foreign operations		-	(78,453)
Total items that are or may be reclassified subsequently to profit or loss		*12,489*	*(100,437)*
Other comprehensive income for the period		**12,489**	**(100,437)**
Total comprehensive income for the period		**9,001,217**	**11,042,458**
Total comprehensive income attributable to:			
- Equity holders of the Bank		9,001,217	11,045,349
- Non-controlling interests		-	(2,891)
Total comprehensive income for the period		**9,001,217**	**11,042,458**
Basic and diluted earnings per ordinary share (in KZT)	30	284	397

The consolidated interim financial statements as set out on pages 5 to 82 were approved by the management on 13 January 2014 and were signed on its behalf by:

Zhaksybek D.A.
Chairman of the Management Board

Bagautdinova N.M.
Chief Accountant

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

	Note	30 September 2013 KZT'000	31 December 2012 KZT'000
ASSETS			
Cash and cash equivalents	15	42,331,046	42,282,426
Deposits and balances with banks and other financial institutions	16	7,927,167	8,733,043
Financial instruments at fair value through profit or loss	17	21,206,924	31,092,844
Available-for-sale financial assets	18	4,830,649	5,600,340
Loans to customers	19	640,551,158	480,438,042
Held-to-maturity investments	20	30,980,670	18,073,395
Property, equipment and intangible assets	21	19,459,632	10,823,149
Investment property	22	1,267,483	1,267,483
Current tax asset		210,300	154,710
Deferred tax asset	14	88,205	-
Other assets	23	26,862,407	22,966,988
Total assets		**795,715,641**	**621,432,420**
LIABILITIES			
Deposits and balances from banks and other financial institutions	24	22,836,531	7,786,891
Current accounts and deposits from customers	25	635,941,858	518,429,918
Debt securities issued	26	18,792,558	8,970,263
Subordinated debt	27	44,117,504	30,107,734
Current tax liability		68,029	-
Deferred tax liability	14	402,461	253,099
Other liabilities	28	10,064,448	7,449,176
Total liabilities		**732,223,389**	**572,997,081**
EQUITY			
Share capital	29	38,697,612	32,409,788
Additional paid-in capital		46,346	27,675
Revaluation reserve for land and buildings		11,537	12,191
Revaluation reserve for available-for-sale financial assets		(14,782)	(27,983)
Reserve for general banking and insurance risks		12,085,071	6,989,704
Retained earnings		12,666,468	8,772,453
Total equity attributable to equity holders of the Group		**63,492,252**	**48,183,828**
Non-controlling interests		-	251,511
Total equity		**63,492,252**	**48,435,339**
Total liabilities and equity		**795,715,641**	**621,432,420**

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

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	47,339,937	38,126,510
Interest payments	(27,364,845)	(19,832,356)
Fee and commission receipts	5,976,713	7,344,904
Fee and commission payments	(730,851)	(324,731)
Insurance premiums received	10,914,294	6,327,529
Insurance premiums paid to reinsurers	(7,261,438)	(3,581,482)
Net insurance claims paid	(2,089,936)	(421,797)
Net receipts from financial instruments at fair value through profit or loss	15,880	290,677
Net receipts from foreign exchange	2,253,386	1,271,756
Dividends received	1,657	17,923
Other income receipts	52,676	68,714
Personnel and other general administrative expenses	(13,622,141)	(13,142,847)
(Increase) decrease in operating assets		
Deposits and balances with banks and other financial institutions	1,020,449	(1,945,330)
Financial instruments at fair value through profit or loss	9,623,659	(953,026)
Loans to customers	(157,942,096)	(91,048,153)
Other assets	(2,579,057)	(3,387,698)
Increase (decrease) in operating liabilities		
Due to the Government of the Republic of Kazakhstan	-	(15,429)
Deposits and balances from banks and other financial institutions	14,912,020	(8,957,476)
Current accounts and deposits from customers	115,734,970	105,628,149
Amounts payable under repurchase agreements	-	(18,586,009)
Other liabilities	828,938	3,891,305
Net cash (used in) from operating activities before income tax paid	**(2,915,785)**	**771,133**
Income tax paid	(2,000,472)	(1,112,757)
Cash flows used in operations	**(4,916,257)**	**(341,624)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	-	(1,040,861)
Sale and repayment of available-for-sale financial assets	450,064	-
Purchases of held-to-maturity investments	(19,708,551)	(13,832,629)
Redemption of held-to-maturity investments	6,515,385	17,094
Purchases of property, equipment and intangible assets	(11,685,061)	(1,327,760)
Proceeds of sales of property and equipment	1,749	887
Acquisition of minority interest	(232,050)	-
Cash flows used in investing activities	**(24,658,464)**	**(16,183,269)**

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

	Nine-month period ended 30 September 2013 KZT'000	**Nine-month period ended 30 September 2012 KZT'000**
CASH FLOWS FROM FINANCING ACTIVITIES		
Placement of subordinated debt	15,144,400	8,264,885
Repayment of subordinated debt	(1,429,164)	(492,881)
Redemption of debt securities	-	(2,961,730)
Placement of debt securities issued	9,600,600	1,468,619
Proceeds from issuance of share capital	6,300,000	5,040,000
Cash flows from financing activities	**29,615,836**	**11,318,893**
Net increase (decrease) in cash and cash equivalents	**41,115**	**(5,206,000)**
Effect of changes in exchange rates on cash and cash equivalents	7,505	(55,764)
Cash and cash equivalents as at the beginning of the period	42,282,426	28,647,580
Cash and cash equivalents as at the end of the period (Note 15)	**42,331,046**	**23,385,816**

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

	Attributable to equity holders of the Bank								
KZT'000	**Share capital**	**Additional paid-in capital**	**Revaluation reserve for land and buildings**	**Revaluation reserve for available-for-sale financial assets**	**Reserve for general banking and insurance risks**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2013	32,409,788	27,675	12,191	(27,983)	6,989,704	8,772,453	48,183,828	251,511	48,435,339
Total comprehensive income									
Profit for the period	-	-	-	-	-	8,988,728	8,988,728	-	8,988,728
Other comprehensive income									
Items that are or may be reclassified subsequently to profit or loss:									
Net change in fair value of available-for-sale financial assets	-	-	-	(10,434)	-	-	(10,434)	-	(10,434)
Net change in fair value of available-for-sale financial assets transferred to profit and loss	-	-	-	22,923	-	-	22,923	-	22,923
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*12,489*	-	-	*12,489*	-	*12,489*
Total other comprehensive income	-	-	-	12,489	-	-	12,489	-	12,489
Total comprehensive income for the period	**-**	**-**	**-**	**12,489**	**-**	**8,988,728**	**9,001,217**	**-**	**9,001,217**
Transactions with owners, recorded directly in equity									
Shares issued	6,300,000	-	-	-	-	-	6,300,000	-	6,300,000
Treasury shares acquired	(12,176)	(78)	-	-	-	-	(12,254)	-	(12,254)
Acquisition of minority interest	-	18,749	-	712	-	-	19,461	(251,511)	(232,050)
Transfer of revaluation reserve	-	-	(654)	-	-	654	-	-	-
Transfer between reserves (Note 29(e))	-	-	-	-	5,095,367	(5,095,367)	-	-	-
Total transactions with owners	**6,287,824**	**18,671**	**(654)**	**712**	**5,095,367**	**(5,094,713)**	**6,307,207**	**(251,511)**	**6,055,696**
Balance as at 30 September 2013	**38,697,612**	**46,346**	**11,537**	**(14,782)**	**12,085,071**	**12,666,468**	**63,492,252**	**-**	**63,492,252**

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

	Attributable to equity holders of the Bank									
KZT'000	**Share capital**	**Additional paid-in capital**	**Revaluation reserve for land and buildings**	**Revaluation reserve for available-for-sale financial assets**	**Cumulative translation reserve**	**Reserve for general banking risk**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2012	27,480,830	27,539	13,247	29,992	78,453	2,843,529	2,045,238	32,518,828	245,395	32,764,223
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	11,145,786	11,145,786	(2,891)	11,142,895
Other comprehensive income										
Items that are or may be reclassified subsequently to profit or loss:										
Net change in fair value of available-for-sale financial assets	-	-	-	(21,984)	-	-	-	(21,984)	-	(21,984)
Foreign currency translation differences for foreign operations	-	-	-	-	(78,453)	-	-	(78,453)	-	(78,453)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	*(21,984)*	*(78,453)*	-	-	*(100,437)*	-	*(100,437)*
Total other comprehensive income	-	-	-	(21,984)	(78,453)	-	-	(100,437)	-	(100,437)
Total comprehensive income for the period	**-**	**-**	**-**	**(21,984)**	**(78,453)**	**-**	**11,145,786**	**11,045,349**	**(2,891)**	**11,042,458**
Transactions with owners, recorded directly in equity										
Shares issued	5,040,000	-	-	-	-	-	-	5,040,000	-	5,040,000
Treasury shares acquired	(61,409)	-	-	-	-	-	-	(61,409)	-	(61,409)
Transfer of revaluation reserve	-	-	(838)	-	-	-	838	-	-	-
Transfer between reserves (Note 29(e))	-	-	-	-	-	4,146,175	(4,146,175)	-	-	-
Total transactions with owners	**4,978,591**	**-**	**(838)**	**-**	**-**	**4,146,175**	**(4,145,337)**	**4,978,591**	**-**	**4,978,591**
Balance as at 30 September 2012	**32,459,421**	**27,539**	**12,409**	**8,008**	**-**	**6,989,704**	**9,045,687**	**48,542,768**	**242,504**	**48,785,272**

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

1 Background

(a) Organisation and operations

These consolidated interim financial statements include the financial statements of Tsesnabank JSC (the "Bank") and its subsidiaries (together referred to as the "Group"). The subsidiaries include insurance, securities trading and asset management companies, a special purpose entity and a debt collection management company.

The Bank was established in the Republic of Kazakhstan as an open joint stock company under the laws of the Republic of Kazakhstan on 17 January 1992. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint stock company on 26 December 2003. The Bank operates based on general license #1.2.74/74/29 for banking operations and activities on securities market granted on 12 October 2009 by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA"). The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Committee on the Regulation and Supervision of Financial Markets and Financial Organisations of the National Bank of the Republic of Kazakhstan (the "FMSC") and the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank has a general banking license, and is a member of the state deposit insurance system in Kazakhstan.

On 3 January 2007 the Bank established a subsidiary, Tsesna International B.V., which is a special purpose entity intended to raise funds on international capital markets and make these funds available to the Bank. As at 30 September 2013 and 31 December 2012, the Bank owned 100% of the share capital of Tsesna International B.V.

In accordance with the resolutions of the FMSA #65 and #66 dated 18 May 2010 the Bank was given a permission to purchase a subsidiary, Subsidiary Company of Tsesnabank Insurance Company Tsesna Garant JSC ("Tsesna Garant"). The primary business activity of Tsesna Garant is insurance of vehicle owners' civil liability, employers' civil liability, property, cargo, vehicle, air, railway and water transport, casualty and other insurance.

During the year ended 31 December 2011, the Bank obtained control over Tsesna Capital JSC. As at 31 December 2012 the share of ownership of the Bank in Tsesna Capital JSC comprises 76.80% of share capital. In 2013 the Bank acquired the remaining portion of 23.20% of the share capital of Tsesna Capital JSC.

As at 30 September 2013 the Bank had 22 branches (31 December 2012: 21) and 124 sub-branches (31 December 2012: 103) from which it conducts business throughout the Republic of Kazakhstan. The registered address of the head office is 29, Zhenis Avenue, Astana, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in Kazakhstan.

The subsidiaries are as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**30 September 2013**	**31 December 2012**
Tsesna International B.V.	Netherlands	Raising funds on international capital markets and making these funds available to the Bank	100.00	100.00
Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC	Kazakhstan	Insurance activity	100.00	100.00
Tsesna Capital JSC	Kazakhstan	Brokerage and dealing activity	100.00	76.80
Subsidiary Company of Tsesnabank JSC OUSA Tsesna LLC	Kazakhstan	Debt collection management	100.00	-

1 Background, continued

(a) Organisation and operations, continued

At 30 September 2013, Financial Holding Tsesna JSC, Tsesna Corporation JSC and Accumulated Pension Fund Respublika JSC owned 43.98%, 14.29%, and 8.28% of the outstanding common shares of the Bank, respectively, (31 December 2012: Financial Holding Tsesna JSC, Tsesna Corporation JSC and Accumulated Pension Fund Respublika JSC owned 48.94%, 15.91%, and 9.24%). Other shareholders have less than 5% of the outstanding shares each.

(b) Business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group 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 consolidated interim financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

(b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value, and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries 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 consolidated interim financial statements.

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

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- loan impairment estimates - Note 19
- impairment of held-to-maturity investments – Note 20
- estimates of fair value of financial instruments – Note 37.

2 Basis for preparation, continued

(e) Changes in accounting policies

The Group 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.

- IFRS 10 *Consolidated Financial statements* (see (i))
- IFRS 11 *Joint Arrangements* (see (ii))
- IFRS 12 *Disclosure of Interests in Other Entities* (see (iii))
- IFRS 13 *Fair Value Measurements* (see (iv))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (see (v))
- *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) (see (vi))

The nature and the effect of the changes are explained below.

(i) Subsidiaries, including structured entities

As a result of adoption of IFRS 10, the Group changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities. See notes 3 (a) (ii) and (iii).

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees as at 1 January 2013. The Group determined that its consolidated group structure remained unchanged under IFRS 10, and as a result, the consolidated interim financial statements are unaffected.

(ii) Joint arrangements

As a result of adoption of IFRS 11, the Group changed its accounting policy for its interest in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

IFRS 11 does not have any impact on the Group because the Group does not have interests in joint ventures.

(iii) Disclosure of Interests in Other Entities

The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of adoption of IFRS 12, the Group included new disclosures in the consolidated interim financial statements that are required under IFRS 12 and provided comparative information for new disclosures.

2 Basis for preparation, continued

(e) Changes in accounting policies and presentation, continued

(iv) 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 37).

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

(v) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group modified the presentation of items of other comprehensive income in its consolidated interim statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information is also re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities or comprehensive income.

(vi) 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 Group 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 Group.

(f) Changes in presentation – prior period reclassification

Comparative information is reclassified to conform to changes in presentation in the current period.

In the consolidated statement of financial position as at 31 December 2012 mandatory reserve with the NBRK of KZT 6,845,307 thousand was reclassified from deposits and balances with banks and other financial institutions to cash and cash equivalents. In the consolidated statement of cash flows for the nine-month period ended 30 September 2012 cash flows used in operating activities decreased by KZT 2,470,913 thousand.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated interim financial statements, and are applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

(iii) Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

(iv) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated interim financial statements except when the Group controls the entity.

(v) Acquisitions of entities under common control

The assets and liabilities acquired as a result of the acquisition of a controlling interest in an entity that is under the control of the beneficiaries of the Group are recognised at their carrying amounts, as recognised in the individual financial statements of the subsidiary acquired. The difference between the consideration paid for the acquisition and the carrying value of net assets acquired is recognised directly in equity attributable to equity holders of the Bank.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(vi) Acquisitions and disposals of non-controlling interests

The Group accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(viii) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Bank.

Non-controlling interests are presented in the consolidated interim statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated interim statement of profit or loss and other comprehensive income.

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

3 Significant accounting policies, continued

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated interim statement of financial position.

(e) 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 Group 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.

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 loans 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 Group:

- 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.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

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

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group 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 consolidated interim statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

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

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

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value 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) Financial assets or liabilities originated at interest rates different from market rates

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(vi) 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group 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 Group 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.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group 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.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Gains and losses on subsequent measurement

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

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(viii) Derecognition

The Group 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 Group 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 Group is recognised as a separate asset or liability in the consolidated interim statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated interim 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 Group 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 Group 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.

If the Group purchases its own debt, it is removed from the consolidated interim 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 Group writes off assets deemed to be uncollectible.

(ix) Repurchase and reverse repurchase agreements

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

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

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

(x) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals 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.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(x) Derivative financial instruments, continued

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

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

(xi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated interim 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.

(f) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings, which are stated at revalued amounts as described below.

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) Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognised as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of land or building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in other comprehensive income.

Management uses independent valuation firms to estimate the fair value of land and buildings. The valuation firms typically use the income approach and the comparable sales approach, or a combination of the two, depending on the availability and reliability of information.

(iii) Depreciation

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

- Buildings	25 to 55 years
- computer equipment	5 to 10 years
- motor vehicles	7 years
- other	2 to 20 years.

3 Significant accounting policies, continued

(g) 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 life is 3.5 years.

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at historical cost.

When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

Management uses independent valuation firms to estimate the fair value of investment property. The valuation firms typically use the income approach and the comparable sales approach, or a combination of the two, depending on the availability and reliability of information.

(i) Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group 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 Group 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 amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis.

The Group 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 Group 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.

3 Significant accounting policies, continued

(i) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

All impairment losses in respect of loans and receivables are recognized 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 Group 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) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3 Significant accounting policies, continued

(i) Impairment, continued

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. 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. An impairment loss in respect of goodwill is not reversed.

(j) Provisions

A provision is recognised in the consolidated interim statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(k) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Financial guarantees are contracts that require the Group 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.

Loan commitments are not recognised, except for the following:

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

3 Significant accounting policies, continued

(l) 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) Cumulative non-redeemable preference shares

The component of the cumulative non-redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. The corresponding cumulative dividends on those shares are charged as interest expense in the statement of comprehensive income. On issuance of the cumulative non-redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on redemption.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iv) Dividends

The ability of the Group 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 period when they are declared.

(m) 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 Group expects, at the end of the reporting period, 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

(n) Income and expense recognition

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

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

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.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

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.

(o) Segment reporting

The Group's operations are highly integrated and constitute two operating business segments for the purposes of IFRS 8 *Operating Segments*: banking and insurance. The insurance segment is not reported separately in these consolidated interim financial statements as it does not exceed the quantitative threshold set out in *IFRS 8 Operating Segments*. Assets are concentrated primarily in the Republic of Kazakhstan, and the majority of revenues and net income 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 of the Management Board, only receives and reviews the information on the Group as a whole.

(p) Insurance contracts

(i) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as financial instruments.

3 Significant accounting policies, continued

(p) Insurance contracts, continued

(ii) Recognition and measurement of contracts

Premiums

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the Group’s estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iii) Reinsurance assets

The Group cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted as for financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

3 Significant accounting policies, continued

(p) Insurance contracts, continued

(iii) Reinsurance assets, continued

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as reinsurers' share in insurance contract provisions in the consolidated interim statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(iv) Acquisition costs

Acquisition costs include direct costs such as commissions paid to insurance agents and brokers and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Acquisition costs are expensed as incurred.

(v) Liability adequacy test

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a shortfall is identified, an additional provision is established, if necessary. The deficiency is recognised in profit or loss for the year.

(vi) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2013, and are not applied in preparing these consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of the new standards 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 Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated interim 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 Group does not intend to adopt this standard early.

3 Significant accounting policies, continued

(q) 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 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. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Interest income		
Loans to customers	55,052,960	38,752,661
Held-to-maturity investments	1,031,106	53,843
Financial instruments at fair value through profit or loss	718,792	1,015,523
Deposits and balances with banks and other financial institutions	445,063	241,431
Available-for-sale financial assets	85,851	57,688
Interest income from repurchase agreements	26,812	15,542
Cash and cash equivalents	2,649	8,818
	57,363,233	**40,145,506**
Interest expense		
Current accounts and deposits from customers	(25,616,587)	(16,968,660)
Subordinated debt	(2,452,128)	(1,459,196)
Deposits and balances from banks and other financial institutions	(575,518)	(759,476)
Debt securities issued	(739,745)	(603,042)
Amounts payable under repurchase agreements	(110,788)	(35,679)
Due to the Government of the Republic of Kazakhstan	-	(261)
	(29,494,766)	**(19,826,314)**
	27,868,467	**20,319,192**

Included within various line items under interest income for the nine-month period ended 30 September 2013 is a total of KZT 1,602,820 thousand (nine-month period ended 30 September 2012: KZT 540,962 thousand) accrued on impaired financial assets.

Included in interest income on financial instruments at fair value through profit or loss for the nine-month period ended 30 September 2013 is a total of KZT 718,792 thousand (nine-month period ended 30 September 2012: KZT 1,015,523 thousand) recognised on financial assets at fair value through profit or loss held for trading.

Interest income and expense calculated using the effective interest method and relating to financial assets or liabilities not carried at fair value through profit of loss is KZT 56,644,441 thousand (nine-month period ended 30 September 2012: KZT 39,129,983 thousand) and KZT 29,494,766 thousand (nine-month period ended 30 September 2012: KZT 19,826,314 thousand), respectively.

5 Fee and commission income

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Guarantee and letter of credit issuance fees	1,669,138	2,959,009
Transfer operations	1,616,901	1,195,722
Cash withdrawal fees	1,132,679	849,839
Foreign exchange fees	568,961	565,096
Settlement fees	546,256	408,012
Early repayment fees on loans	410,983	-
Cash collection fees	24,481	22,660
Other	525,368	940,201
	6,494,767	**6,940,539**

6 Fee and commission expense

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Insurance acquisition costs	995,311	574,225
Commission expense on received deposits	190,311	189,792
Client card account maintenance fees	193,282	57,057
Transfer operations	94,804	81,527
Commission expenses on guarantees issued	39,953	7,784
Commission expenses on credit letters	29,050	6,886
Brokers' and insurance agents' services	11,631	6,435
Other	54,321	56,027
	1,608,663	**979,733**

7 Net earned insurance premiums

	Obligatory		Voluntary				
Nine-month period ended 30 September 2013 ’000 KZT	**Vehicle owner’s liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Gross premiums written	5,437,580	114,559	1,004,791	2,161,923	2,917,295	477,929	12,114,077
Change in the gross provision for unearned premiums	95,325	(15,364)	251,027	(618,054)	238,608	(20,774)	(69,232)
Gross earned premiums	**5,532,905**	**99,195**	**1,255,818**	**1,543,869**	**3,155,903**	**457,155**	**12,044,845**
Less: written premiums ceded to reinsurers	(4,659,021)	-	(801,031)	(1,774,500)	(2,014,686)	(8,860)	(9,258,098)
Reinsurers’ share of change in the gross provision for unearned premiums	683,695	-	(178,381)	640,729	(180,922)	(5,435)	959,686
Ceded earned premiums	**(3,975,326)**	**-**	**(979,412)**	**(1,133,771)**	**(2,195,608)**	**(14,295)**	**(8,298,412)**
Net earned premiums	**1,557,579**	**99,195**	**276,406**	**410,098**	**960,295**	**442,860**	**3,746,433**

	Obligatory		Voluntary				
Nine-month period ended 30 September 2012 ’000 KZT	**Vehicle owner’s liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Gross premiums written	2,979,882	98,779	1,638,840	719,921	1,538,678	381,868	7,357,968
Change in the gross provision for unearned premiums	(1,380,062)	142,824	(382,772)	(230,732)	(562,922)	(116,555)	(2,530,219)
Gross earned premiums	**1,599,820**	**241,603**	**1,256,068**	**489,189**	**975,756**	**265,313**	**4,827,749**
Less: written premiums ceded to reinsurers	(1,012,693)	(19,730)	(646,747)	(355,923)	(1,447,960)	(52,970)	(3,536,023)
Reinsurers’ share of change in the gross provision for unearned premiums	775,723	(82,174)	370,687	29,212	447,952	(96,843)	1,444,557
Ceded earned premiums	**(236,970)**	**(101,904)**	**(276,060)**	**(326,711)**	**(1,000,008)**	**(149,813)**	**(2,091,466)**
Net earned premiums	**1,362,850**	**139,699**	**980,008**	**162,478**	**(24,252)**	**115,500**	**2,736,283**

8 Net insurance claims incurred

	Obligatory		Voluntary				
Nine-month period ended 30 September 2013 ’000 KZT	**Vehicle owner’s liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Insurance claims incurred, net of reinsurance	(294,555)	(57,822)	(3,941)	(8,008)	(250,554)	(210,171)	(825,051)
Change in provisions for incurred but not reported claims	403,254	9,247	(17,247)	(115,650)	(178,764)	20,539	121,379
Change in provisions for reported but not settled claims	(49,122)	(978)	(522)	(14,621)	(4,167)	10,108	(59,302)
Change in reinsurers’ share in claims provisions	(405,890)	-	-	-	(13,429)	-	(419,319)
Change in net insurance contract provisions	**(51,758)**	**8,269**	**(17,769)**	**(130,271)**	**(196,360)**	**30,647**	**(357,242)**
Net insurance claims incurred	**(346,313)**	**(49,553)**	**(21,710)**	**(138,279)**	**(446,914)**	**(179,524)**	**(1,182,293)**

	Obligatory		Voluntary				
Nine-month period ended 30 September 2012 ’000 KZT	**Vehicle owner’s liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Insurance claims incurred, net of reinsurance	(299,328)	(28,463)	(13,651)	(12,428)	(40,557)	(44,726)	(439,153)
Change in provisions for incurred but not reported claims	(10,738)	(449)	6,979	(640)	524	(20,682)	(25,006)
Change in provisions for reported but not settled claims	(60,136)	(582)	(1,220)	(5,555)	(10,633)	(2,760)	(80,886)
Change in reinsurers’ share in claims provisions	-	-	947	-	8,259	-	9,206
Change in net insurance contract provisions	**(70,874)**	**(1,031)**	**6,706**	**(6,195)**	**(1,850)**	**(23,442)**	**(96,686)**
Net insurance claims incurred	**(370,202)**	**(29,494)**	**(6,945)**	**(18,623)**	**(42,407)**	**(68,168)**	**(535,839)**

9 Net gain on financial instruments at fair value through profit or loss

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Equity financial instruments	(16,425)	104,921
Debt financial instruments	22,646	127,019
	6,221	**231,940**

All net gain on financial instruments at fair value through profit or loss relates to financial assets held for trading.

10 Net foreign exchange income

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Gain on spot transactions and derivatives	2,325,735	1,273,666
(Loss) gain from revaluation of financial assets and liabilities	(1,994)	25,830
	2,323,741	**1,299,496**

11 Impairment losses

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Loans to customers (Note 19)	8,934,464	3,127,603
Assets available-for-sale	361,681	-
Held-to-maturity investments (Note 20)	392,263	-
Commitments	522	-
Other assets (Note 23)	405,009	358,098
	10,093,939	**3,485,701**

12 Personnel expenses

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Employee compensation	7,304,472	5,711,822
Payroll related taxes	547,617	426,709
	7,852,089	**6,138,531**

13 Other general administrative expenses

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Occupancy	2,716,512	2,132,152
Depreciation and amortisation	952,174	603,866
Repairs and maintenance	640,786	472,780
Advertising and marketing	631,821	373,754
Taxes other than on income	618,693	499,321
Contributions to deposit insurance fund	607,705	417,328
Professional services	388,671	247,928
Security	348,581	256,577
Transportation	332,714	259,769
Stationery and office equipment supplies	248,042	195,463
Communications and information services	243,085	207,113
Travel expenses	168,662	124,500
Encashment expenses	110,812	73,796
Charity	65,146	280,193
Post and courier services	55,133	25,340
Recruitment and training	23,694	23,166
Market maker services	11,409	-
Insurance	4,112	7,375
Other	527,306	593,037
	8,695,058	**6,793,458**

14 Income tax expense

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Current tax expense		
Current year	1,984,682	2,451,441
Underprovided in prior periods	30,590	-
	2,015,272	**2,451,441**
Deferred tax expense		
Origination and reversal of temporary differences	61,157	90,925
Total income tax expense	**2,076,429**	**2,542,366**

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

14 Income tax expense, continued

Reconciliation of effective tax rate for the nine-month period ended 30 September:

	Nine-month period ended 30 September 2013 KZT'000	%	Nine-month period ended 30 September 2012 KZT'000	%
Profit before income tax	**11,065,157**	**100.00**	**13,685,261**	**100.00**
Income tax at the applicable tax rate	(2,213,031)	(20.00)	(2,737,052)	(20.00)
Underprovided in prior periods	(30,590)	(0.28)	-	-
Non-taxable income	167,192	1.51	194,686	1.42
	(2,076,429)	**(18.77)**	**(2,542,366)**	**(18.58)**

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 and liabilities as at 30 September 2013 and 31 December 2012. Deferred tax assets in respect of tax losses carried forward are recognised in these consolidated interim financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in ten years after the date of origination.

Movements in temporary differences during the nine-month periods ended 30 September 2013 and 2012 are presented as follows.

KZT'000	Balance 1 January 2013	Recognised in profit or loss	Balance 30 September 2013
Property, equipment and intangible assets	(3,629)	(425,860)	(429,489)
Loans to customers	(65,753)	65,753	-
Other assets	(301,763)	301,763	-
Other liabilities	(30,570)	(2,813)	(33,383)
Tax loss carry-forwards	148,616	-	148,616
	(253,099)	**(61,157)**	**(314,256)**

KZT'000	Balance 1 January 2012	Recognised in profit or loss	Balance 30 September 2012
Property, equipment and intangible assets	(111,549)	(94,714)	(206,263)
Loans to customers	(3,526)	(78,302)	(81,828)
Other liabilities	233,039	99,894	332,933
Tax loss carry-forwards	109,112	(17,803)	91,309
	227,076	**(90,925)**	**136,151**

15 Cash and cash equivalents

	30 September 2013 KZT'000	31 December 2012 KZT'000
Cash on hand	**18,974,124**	**10,306,476**
Nostro accounts with the NBRK	**12,953,915**	**29,447,090**
Nostro accounts with other banks		
- rated AA- to AA+	2,836,327	102,772
- rated A- to A+	4,966,524	1,827,316
- rated from BBB- to BBB+	1,946,434	122,598
- rated from BB- to BB+	186,772	148,872
- rated below B+	67,267	93,307
- not rated	148,821	71,066
Total nostro accounts with other banks	**10,152,145**	**2,365,931**
Current accounts and term deposits with other banks		
- rated A- to A+	9,616	39,244
- rated from BBB- to BBB+	-	3,167
- rated from BB- to BB+	2,147	6,906
- rated below B+	21,334	32,817
- not rated	217,765	80,795
Total current accounts and term deposits with other banks	**250,862**	**162,929**
Total cash and cash equivalents	**42,331,046**	**42,282,426**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

None of cash and cash equivalents are impaired or past due.

As at 30 September 2013 and 31 December 2012 the Group has one bank, whose balance exceeds 10% of equity. The gross value of this balance as at 30 September 2013 is KZT 12,953,915 thousand (31 December 2012: KZT 29,447,090 thousand).

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK. These requirements are complied with by keeping certain minimum balance of cash on hand and on a current account with the NBRK. As at 30 September 2013 the minimum reserve is KZT 8,015,641 thousand (31 December 2012: KZT 6,845,307 thousand).

16 Deposits and balances with banks and other financial institutions

	30 September 2013 KZT'000	31 December 2012 KZT'000
Loans and deposits		
- rated A- to A+	-	399,985
- rated from BBB- to BBB+	336,711	321,128
- rated from BB- to BB+	1,635,378	25,485
- rated below B+	271,184	168
- not rated	5,511,890	7,709,272
- defaulted	48,130	48,130
Total loans and deposits	**7,803,293**	**8,504,168**
Reverse repurchase agreements	**172,004**	**277,005**
Impairment allowance	(48,130)	(48,130)
Net deposits and balances with banks and other financial institutions	**7,927,167**	**8,733,043**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

Overdue or impaired deposits and balances with banks and other financial institutions comprise deposits and balances with banks and other financial institutions overdue for more than 360 days of KZT 48,130 thousand (31 December 2012: overdue for more than 360 days of KZT 48,130 thousand).

The amount of loans and deposits with not rated banks includes KZT 1,694,413 thousand of subordinated debt (31 December 2012: KZT 1,660,994 thousand).

(a) Collateral accepted as security for assets

At 30 September 2013 the fair value of financial assets collateralising reverse repurchase agreements that the Group is permitted to sell or repledge in the absence of default is KZT 245,784 thousand (31 December 2012: KZT 397,331 thousand).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

(b) Concentration of deposits and balances with banks and other financial institutions

As at 30 September 2013 the Group has no bank (31 December 2012: no bank), whose balance exceeds 10% of equity.

17 Financial instruments at fair value through profit or loss

	30 September 2013 KZT'000	31 December 2012 KZT'000
Held by the Group		
Debt and other fixed-income instruments		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	17,822,789	24,156,643
- Total government bonds	**17,822,789**	**24,156,643**
- Corporate bonds		
rated from BBB- to BBB+	1,623,437	2,134,311
rated from BB- to BB+	1,707,737	4,716,701
- Total corporate bonds	**3,331,174**	**6,851,012**
Equity investments		
Corporate shares	34,543	62,771
American and Global depository receipts	18,418	22,418
Total equity investments	**52,961**	**85,189**
	21,206,924	**31,092,844**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies. Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

No financial assets at fair value through profit or loss are past due.

18 Available-for-sale financial assets

	30 September 2013 KZT'000	31 December 2012 KZT'000
Held by the Group		
Debt instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	361,118	366,888
Total government bonds	**361,118**	**366,888**
Corporate bonds		
Corporate bonds rated from BBB- to BBB+	1,125,187	1,135,602
Corporate bonds rated from BB- to BB+	294,246	301,115
Total corporate bonds	**1,419,433**	**1,436,717**
Equity instruments		
Corporate shares	3,050,098	3,796,735
	4,830,649	**5,600,340**

As at 30 September 2013 available-for-sale investments include unquoted equity securities stated at cost of KZT 21,011 thousand (31 December 2012: KZT 20,843 thousand). There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows.

19 Loans to customers

	30 September 2013 KZT'000	31 December 2012 KZT'000
Loans to corporate customers		
Loans to large corporates	469,629,752	301,970,707
Loans to small and medium size companies	104,749,043	134,135,348
Total loans to corporate customers	**574,378,795**	**436,106,055**
Loans to retail customers		
Mortgage loans	46,005,371	33,673,640
Consumer loans	26,143,179	23,234,035
Car loans	18,649,062	4,115,217
Express loans	2,216,124	1,206,821
Credit cards	108,971	89,053
Total loans to retail customers	**93,122,707**	**62,318,766**
Gross loans to customers	**667,501,502**	**498,424,821**
Impairment allowance	(26,950,344)	(17,986,779)
Net loans to customers	**640,551,158**	**480,438,042**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the period	13,080,721	4,906,058	17,986,779
Net charge	8,727,375	207,089	8,934,464
Foreign exchange effect	44,892	-	44,892
Write-offs	(3,345)	(14,332)	(17,677)
Recovery of previously written-off balances	-	1,886	1,886
Balance at the end of the period	**21,849,643**	**5,100,701**	**26,950,344**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the period	8,697,455	3,113,114	11,810,569
Net charge	897,583	2,230,020	3,127,603
Foreign exchange effect	16,054	-	16,054
Write-offs	(534,402)	(14,731)	(549,133)
Recovery of previously written-off balances	5,594	20	5,614
Balance at the end of the period	**9,082,284**	**5,328,423**	**14,410,707**

19 Loans to customers, continued

(a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	454,414,730	(4,936,524)	449,478,206	1.09
Impaired or overdue loans:				
- not overdue	5,883,025	(2,773,757)	3,109,268	47.15
- overdue less than 90 days	5,681,482	(2,852,948)	2,828,534	50.21
- overdue more than 90 days and less than 1 year	1,104,570	(439,388)	665,182	39.78
- overdue more than 1 year	2,545,945	(2,332,841)	213,104	91.63
Total impaired or overdue loans	15,215,022	(8,398,934)	6,816,088	55.20
Total loans to large corporates	**469,629,752**	**(13,335,458)**	**456,294,294**	**2.84**
Loans to small and medium size companies				
Loans without individual signs of impairment	92,769,074	(1,349,410)	91,419,664	1.45
Impaired or overdue loans:				
- not overdue	3,918,287	(1,267,102)	2,651,185	32.34
- overdue less than 90 days	1,084,371	(336,114)	748,257	31.00
- overdue more than 90 days and less than 1 year	1,621,881	(1,384,609)	237,272	85.37
- overdue more than 1 year	5,355,430	(4,176,950)	1,178,480	77.99
Total impaired or overdue loans	11,979,969	(7,164,775)	4,815,194	59.81
Total loans to small and medium size companies	**104,749,043**	**(8,514,185)**	**96,234,858**	**8.13**
Total loans to corporate customers	**574,378,795**	**(21,849,643)**	**552,529,152**	**3.80**

19 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not overdue	38,828,626	(104,358)	38,724,268	0.27
- overdue less than 30 days	968,535	(111,684)	856,851	11.53
- overdue 30-89 days	418,404	(80,887)	337,517	19.33
- overdue 90-179 days	731,323	(292,750)	438,573	40.03
- overdue more than 180 days	5,058,483	(2,512,241)	2,546,242	49.66
Total mortgage loans	**46,005,371**	**(3,101,920)**	**42,903,451**	**6.74**
Consumer loans				
- not overdue	21,670,680	(47,274)	21,623,406	0.22
- overdue less than 30 days	621,818	(54,880)	566,938	8.83
- overdue 30-89 days	338,004	(86,776)	251,228	25.67
- overdue 90-179 days	497,435	(141,133)	356,302	28.37
- overdue more than 180 days	3,015,242	(1,171,597)	1,843,645	38.86
Total consumer loans	**26,143,179**	**(1,501,660)**	**24,641,519**	**5.74**
Car loans				
- not overdue	17,822,330	(23,479)	17,798,851	0.13
- overdue less than 30 days	486,018	(23,901)	462,117	4.92
- overdue 30-89 days	118,095	(21,705)	96,390	18.38
- overdue 90-179 days	40,437	(12,474)	27,963	30.85
- overdue more than 180 days	182,182	(69,280)	112,902	38.03
Total car loans	**18,649,062**	**(150,839)**	**18,498,223**	**0.81**
Express loans				
- not overdue	1,822,524	(7,494)	1,815,030	0.41
- overdue less than 30 days	32,787	(6,662)	26,125	20.32
- overdue 30-89 days	14,368	(5,279)	9,089	36.74
- overdue 90-179 days	23,481	(18,465)	5,016	78.64
- overdue more than 180 days	322,964	(306,414)	16,550	94.88
Total express loans	**2,216,124**	**(344,314)**	**1,871,810**	**15.54**
Credit cards				
- not overdue	51,031	(195)	50,836	0.38
- overdue less than 30 days	6,739	(31)	6,708	0.46
- overdue 30-89 days	14,659	(182)	14,477	1.24
- overdue 90-179 days	724	(13)	711	1.80
- overdue more than 180 days	35,818	(1,547)	34,271	4.32
Total credit cards	**108,971**	**(1,968)**	**107,003**	**1.81**
Total loans to retail customers	**93,122,707**	**(5,100,701)**	**88,022,006**	**5.48**
Total loans to customers	**667,501,502**	**(26,950,344)**	**640,551,158**	**4.04**

19 Loans to customers, continued

(a) Credit quality of loans to customers, continued

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 corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	291,721,459	(3,099,970)	288,621,489	1.06
Impaired or overdue loans:				
- not overdue	4,532,138	(629,704)	3,902,434	13.89
- overdue less than 90 days	6,101	(2,829)	3,272	46.37
- overdue more than 90 days and less than 1 year	3,509,524	(1,357,292)	2,152,232	38.67
- overdue more than 1 year	2,201,485	(1,495,584)	705,901	67.94
Total impaired or overdue loans	10,249,248	(3,485,409)	6,763,839	34.01
Total loans to large corporates	**301,970,707**	**(6,585,379)**	**295,385,328**	**2.18**
Loans to small and medium size companies				
Loans without individual signs of impairment	123,256,791	(1,261,420)	121,995,371	1.02
Impaired or overdue loans:				
- not overdue	4,487,837	(868,627)	3,619,210	19.36
- overdue less than 90 days	784,942	(160,000)	624,942	20.38
- overdue more than 90 days and less than 1 year	1,786,688	(1,251,113)	535,575	70.02
- overdue more than 1 year	3,819,090	(2,954,182)	864,908	77.35
Total impaired or overdue loans	10,878,557	(5,233,922)	5,644,635	48.11
Total loans to small and medium size companies	**134,135,348**	**(6,495,342)**	**127,640,006**	**4.84**
Total loans to corporate customers	**436,106,055**	**(13,080,721)**	**423,025,334**	**3.00**

19 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not overdue	28,449,888	(279,082)	28,170,806	0.98
- overdue less than 30 days	1,025,993	(154,605)	871,388	15.07
- overdue 30-89 days	938,092	(277,276)	660,816	29.56
- overdue 90-179 days	481,241	(282,468)	198,773	58.70
- overdue more than 180 days	2,778,426	(1,977,100)	801,326	71.16
Total mortgage loans	**33,673,640**	**(2,970,531)**	**30,703,109**	**8.82**
Consumer loans				
- not overdue	19,396,853	(70,121)	19,326,732	0.36
- overdue less than 30 days	1,091,505	(41,049)	1,050,456	3.76
- overdue 30-89 days	553,526	(109,068)	444,458	19.70
- overdue 90-179 days	280,409	(123,170)	157,239	43.93
- overdue more than 180 days	1,911,742	(1,184,404)	727,338	61.95
Total consumer loans	**23,234,035**	**(1,527,812)**	**21,706,223**	**6.58**
Car loans				
- not overdue	3,880,379	(3,690)	3,876,689	0.10
- overdue less than 30 days	38,431	(2,344)	36,087	6.10
- overdue 30-89 days	22,084	(5,440)	16,644	24.63
- overdue 90-179 days	21,420	(7,965)	13,455	37.18
- overdue more than 180 days	152,903	(67,670)	85,233	44.26
Total car loans	**4,115,217**	**(87,109)**	**4,028,108**	**2.12**
Express loans				
- not overdue	864,887	(5,038)	859,849	0.58
- overdue less than 30 days	9,494	(1,871)	7,623	19.71
- overdue 30-89 days	8,068	(3,300)	4,768	40.90
- overdue 90-179 days	9,067	(7,338)	1,729	80.93
- overdue more than 180 days	315,305	(299,970)	15,335	95.14
Total express loans	**1,206,821**	**(317,517)**	**889,304**	**26.31**
Credit cards				
- not overdue	42,743	(140)	42,603	0.33
- overdue less than 30 days	8,239	(69)	8,170	0.84
- overdue 30-89 days	293	(11)	282	3.75
- overdue 90-179 days	366	(14)	352	3.83
- overdue more than 180 days	37,412	(2,855)	34,557	7.63
Total credit cards	**89,053**	**(3,089)**	**85,964**	**3.47**
Total loans to retail customers	**62,318,766**	**(4,906,058)**	**57,412,708**	**7.87**
Total loans to customers	**498,424,821**	**(17,986,779)**	**480,438,042**	**3.61**

19 Loans to customers, continued

(b) Key assumptions and judgments for estimating loan impairment

(i) Loans to corporate customers

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment has been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- annual loss rates are based on historic loss experience of 1.09-1.45%
- migration rates for loans to small and medium size companies are constant and can be estimated based on historic loss migration pattern for the past 12 months
- a discount of between 10% and 50% to the originally appraised value if the property pledged is sold
- a delay of 6 to 48 months in obtaining proceeds from the foreclosure of collateral.

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 one percent, the impairment allowance on loans to corporate customers as at 30 September 2013 would be KZT 5,525,292 thousand lower/higher (31 December 2012: KZT 4,230,253 thousand lower/higher).

(ii) Loans to retail customers

The Group estimates loan impairment for loans to retail customers 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 retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months
- a discount of between 10% and 30% to the annually appraised value if the property pledged is sold
- a delay of twelve months in obtaining proceeds from the foreclosure of collateral.

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 minus three percent, the impairment allowance on loans to retail customers as at 30 September 2013 would be KZT 2,640,660 thousand lower/higher (31 December 2012: KZT 1,722,381 thousand).

19 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Group generally requests corporate borrowers to provide it.

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

30 September 2013 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral as of date of loan issue	Fair value of collateral not determined
Loans without individual signs of impairment				
Cash and deposits	12,843,358	12,843,358	-	-
Traded securities	13,595,886	13,595,886	-	-
Real estate	239,126,576	234,679,745	4,446,831	-
Grain	29,948,365	29,948,365	-	-
Goods in turnover	61,126,441	61,125,863	578	-
Motor vehicles	2,811,690	2,530,845	280,845	-
Equipment	9,721,765	9,712,165	9,600	-
Other	506,065	506,065	-	-
Corporate guarantees (Unrated) and guarantees of individuals	52,933,373	-	-	52,933,373
No collateral or other credit enhancement	87,525,109	-	-	87,525,109
Other collateral registered subsequently after reporting date	30,759,242	30,759,242	-	-
Total loans without individual signs of impairment	**540,897,870**	**395,701,534**	**4,737,854**	**140,458,482**
Overdue or impaired loans				
Cash and deposits	42,467	42,467	-	-
Real estate	5,068,855	4,074,476	994,379	-
Goods in turnover	443,920	442,238	1,682	-
Motor vehicles	466,356	288,640	177,716	-
Equipment	55,696	5,950	49,746	-
Other	-	-	-	-
Guarantees of individuals	4,372,648	-	-	4,372,648
No collateral or other credit enhancement	1,181,340	-	-	1,181,340
Total overdue or impaired loans	**11,631,282**	**4,853,771**	**1,223,523**	**5,553,988**
Total loans to corporate customers	**552,529,152**	**400,555,305**	**5,961,377**	**146,012,470**

19 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

31 December 2012 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral as of date of loan issue	Fair value of collateral not determined
Loans without individual signs of impairment				
Cash and deposits	7,010,987	7,010,987	-	-
Traded securities	14,554,169	14,554,169	-	-
Real estate	128,624,504	126,236,320	2,388,184	-
Grain	57,164,606	57,163,134	1,472	-
Goods in turnover	50,150,859	50,128,103	22,756	-
Motor vehicles	6,675,706	6,483,861	191,845	-
Equipment	9,715,250	9,710,322	4,928	-
Other	409,351	409,094	257	-
Corporated guarantees (Unrated) and guarantees of individuals	62,937,248	-	-	62,937,248
No collateral or other credit enhancement	73,374,180	-	-	73,374,180
Total loans without individual signs of impairment	**410,616,860**	**271,695,990**	**2,609,442**	**136,311,428**
Overdue or impaired loans				
Cash and deposits	24,672	24,672	-	-
Real estate	3,075,463	2,556,088	519,375	-
Goods in turnover	1,882,947	1,861,507	21,440	-
Motor vehicles	205,328	97,362	107,966	-
Equipment	60,749	43,812	16,937	-
Other	261	4	257	-
Guarantees of individuals	1,457,114	-	-	1,457,114
No collateral or other credit enhancement	5,701,940	-	-	5,701,940
Total overdue or impaired loans	**12,408,474**	**4,583,445**	**665,975**	**7,159,054**
Total loans to corporate customers	**423,025,334**	**276,279,435**	**3,275,417**	**143,470,482**

The tables above exclude the effect of overcollateralisation.

The amount disclosed in the table above within "No collateral or other credit enhancement" line includes uncollateralised loans and portions of loans without full collateral coverage. As at 30 September 2013, the net carrying value of uncollateralised corporate loans is KZT 8,861,141 thousand or 1.38% of the corporate loan portfolio (31 December 2012: KZT 6,587,516 thousand or 1.56% of corporate loan portfolio).

The Group has loans, for which fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, and corporate guarantees received from unrated local companies are not considered for impairment assessment purposes.

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

19 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers

Mortgage loans are secured by underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 85%. Car loans are secured by cars. The Group's policy is to issue car loans with a loan-to-value ratio of a maximum of 90%. Consumer loans are generally secured by properties and in certain cases by assets including vehicles, cash deposits and guarantees.

Management estimates that the impairment allowance would have been higher by KZT 3,077,266 thousand (31 December 2012: KZT 2,775,491 thousand) for mortgage loans, by KZT 2,264,796 thousand (2012: KZT 1,935,738 thousand) for consumer loans and by KZT 245,813 thousand (2012: KZT 109,714 thousand) for car loans without any collateral.

(d) Industry and geographical analysis of the loan portfolio

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

	30 September 2013 KZT'000	31 December 2012 KZT'000
Trade	200,396,292	191,139,051
Services	90,230,073	66,300,793
Production	82,190,114	43,404,624
Construction	79,260,979	64,962,483
Agriculture	56,672,125	21,767,206
Finance and insurance	35,146,399	31,475,752
Transportation	25,913,513	13,040,384
Education	2,802,967	2,867,052
Public authority companies	13,244	56,218
Other	1,753,089	1,092,492
Total loans to corporate customers	**574,378,795**	**436,106,055**
Loans issued to retail customers		
Mortgage loans	46,005,371	33,673,640
Consumer loans	26,143,179	23,234,035
Car loans	18,649,062	4,115,217
Express loans	2,216,124	1,206,821
Credit cards	108,971	89,053
Total retail loans	**93,122,707**	**62,318,766**
Total loans issued	**667,501,502**	**498,424,821**
Impairment allowance	(26,950,344)	(17,986,779)
	640,551,158	**480,438,042**

(e) Significant credit exposures

As at 30 September 2013 the Group has 20 borrowers or groups of connected borrowers (31 December 2012: 22), whose loan balances exceed 10% of equity. The gross value of these loans as at 30 September 2013 is KZT 203,269,260 thousand (31 December 2012: KZT 178,575,424 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 31 which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than that based on contractual terms.

20 Held-to-maturity investments

	30 September 2013 KZT'000	31 December 2012 KZT'000
Held by the Group		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	29,934,261	17,178,748
Total government bonds	**29,934,261**	**17,178,748**
Corporate bonds		
- rated from BBB- to BBB+	1,046,409	304,828
- rated from BB- to BB+	-	149,153
- not rated	1,891,299	1,939,702
Total corporate bonds	**2,937,708**	**2,393,683**
Impairment allowance	(1,891,299)	(1,499,036)
Total net corporate bonds	**1,046,409**	**894,647**
	30,980,670	**18,073,395**

Analysis of movements in the impairment allowance

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Balance at the beginning of the period	1,499,036	1,499,036
Net charge	392,263	-
Balance at the end of the period	**1,891,299**	**1,499,036**

Corporate bonds are interest-bearing securities, issued by local companies and banks. These securities are freely tradable on the Kazakhstan Stock Exchange ("KASE"), except for the bonds of Astana-Nedvizhimost JSC ("Astana-Nedvizhimost"). Astana-Nedvizhimost bonds were excluded from trading at KASE in July 2011. As at 30 September 2013 the Bank provided 100% impairment allowance on these bonds in the amount of KZT 1,891,299 thousand (31 December 2012: 83% and KZT 1,499,036 thousand, respectively).

21 Property, equipment and intangible assets

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Construction in progress	Other	Intangible assets	Total
Cost/revalued amount							
Balance at 1 January 2013	6,241,898	2,241,204	111,430	426,701	3,072,119	1,734,143	13,827,495
Additions	7,409,877	574,061	71,187	682,684	621,236	266,726	9,625,771
Disposals	-	(30,170)	-	(12,468)	(41,869)	-	(84,507)
Transfers	74,531	16,949	169,139	(354,140)	93,521	-	-
Balance at 30 September 2013	**13,726,306**	**2,802,044**	**351,756**	**742,777**	**3,745,007**	**2,000,869**	**23,368,759**
Depreciation and amortisation							
Balance at 1 January 2013	105,615	836,098	77,762	-	1,241,963	742,908	3,004,346
Depreciation and amortisation for the period	47,788	315,603	14,835	-	333,157	240,791	952,174
Disposals	-	(23,313)	-	-	(29,216)	-	(52,529)
Transfers	-	3,469	-	-	1,667	-	5,136
Balance at 30 September 2013	**153,403**	**1,131,857**	**92,597**	**-**	**1,547,571**	**983,699**	**3,909,127**
Carrying amount							
At 30 September 2013	**13,572,903**	**1,670,187**	**259,159**	**742,777**	**2,197,436**	**1,017,170**	**19,459,632**

21 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Construction in progress	Other	Intangible assets	Total
Cost/revalued amount							
Balance at 1 January 2012	3,176,396	1,271,283	101,379	3,470,838	2,272,320	1,085,193	11,377,409
Additions	2,330	743,859	-	632,237	436,445	90,844	1,905,715
Disposals	(736)	(111,831)	(5,775)	-	(195,336)	-	(313,678)
Transfers	211,922	132,926	-	(809,825)	230,595	234,382	-
Balance at 30 September 2012	**3,389,912**	**2,036,237**	**95,604**	**3,293,250**	**2,744,024**	**1,410,419**	**12,969,446**
Depreciation and amortisation							
Balance at 1 January 2012	64,276	695,663	70,473	-	1,141,449	527,991	2,499,852
Depreciation and amortisation for the period	29,860	181,402	8,640	-	241,443	142,521	603,866
Disposals	(44)	(110,201)	(4,425)	-	(186,955)	-	(301,625)
Transfers	-	(2,558)	-	-	2,558	-	-
Balance at 30 September 2012	**94,092**	**764,306**	**74,688**	**-**	**1,198,495**	**670,512**	**2,802,093**
Carrying amount							
At 30 September 2012	**3,295,820**	**1,271,931**	**20,916**	**3,293,250**	**1,545,529**	**739,907**	**10,167,353**

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during nine-month period ended 30 September 2013 and 2012.

21 Property, equipment and intangible assets, continued

Revalued assets

At 31 December 2010 land and buildings were revalued based on the results of an independent appraisal performed by Apprais Consult LLC. The land and buildings acquired during 2012 and 2013 were recognised at fair value at initial recognition assuming the transaction price was a market price at that dates, and those properties were not subsequently revalued as at the reporting dates due to not significant change in fair value since the dates of acquisition.

The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar land and buildings and reflects market prices in recent transactions. The fair values of investment properties are categorised into Level 2 of the fair value hierarchy.

The carrying value of land and buildings as at 30 September 2013, if the land and buildings would not have been revalued, would be KZT 13,561,366 thousand (31 December 2012: KZT 5,912,422 thousand).

At 30 September 2013 the management believes that the carrying values of land and buildings are not significantly different from their fair value.

22 Investment property

Investment property comprises a plot of commercial land located in Almaty, purchased during 2007. The management believes that the carrying value approximates the fair value of the property at 30 September 2013. The fair values of investment properties are categorised into Level 3 of the fair value hierarchy.

On 7 November 2013 the Group sold the plot of commercial land located in Almaty for KZT 1,267,483 thousand to a third party not related to the Group.

23 Other assets

	30 September 2013 KZT'000	31 December 2012 KZT'000
Other receivables	10,185,514	10,152,620
Insurance and reinsurance receivables	2,617,357	1,766,589
Debtor under documentary settlements	710,701	-
Amount due from local commercial bank	210,035	210,035
Commissions receivable	73,780	522,918
Impairment allowance	(879,395)	(479,395)
Total other financial assets	**12,917,992**	**12,172,767**
Advance consideration*	6,643,036	6,744,543
Reinsurers' share in insurance contract provisions (Note 28)	2,357,281	1,816,914
Prepayments	2,490,676	854,790
Prepayments for office buildings	1,589,796	646,524
Materials and supplies	791,004	621,318
Deferred insurance acquisition costs	302,960	384,325
Other	325,516	299,523
Impairment allowance	(555,854)	(573,716)
Total other non-financial assets	**13,944,415**	**10,794,221**
Total other assets	**26,862,407**	**22,966,988**

* On 10 April 2013 the Group entered into an agreement with the shareholders of Plus Bank OJSC to increase the Group's shareholding of 19% up to 91.09%, subject to Kazakhstan and Russian Federation regulatory approval. Prior to 31 December 2012, the Group acquired certain assets for KZT 6,744,543 thousand which will be used as consideration for the completion of the transaction during one year from date of agreement.

23 Other assets, continued

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the nine-month period ended 30 September 2013 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the period	479,395	573,716	1,053,111
Net charge	400,000	5,009	405,009
Write-offs	-	(22,871)	(22,871)
Balance at the end of the period	**879,395**	**555,854**	**1,435,249**

Movements in the impairment allowance for the nine-month period ended 30 September 2012 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the period	312,628	289,765	602,393
Net charge	160,188	197,910	358,098
Write-offs	-	(17,410)	(17,410)
Balance at the end of the period	**472,816**	**470,265**	**943,081**

As at 30 September 2013, included in other assets are overdue other receivables of gross KZT 655,712 thousand (31 December 2012: KZT 1,627,336 thousand), of which KZT 457,647 thousand are overdue for more than 90 days (31 December 2012: KZT 1,209,540 thousand).

24 Deposits and balances from banks and other financial institutions

	30 September 2013 KZT'000	31 December 2012 KZT'000
Loans and deposits from banks and other financial institutions	22,786,426	7,747,450
Vostro accounts	50,105	39,441
	22,836,531	**7,786,891**

As at 30 September 2013 the Group has one financial institution (31 December 2012: one financial institution), whose balance exceeds 10% of equity. The gross value of this balance as at 30 September 2013 is KZT 11,040,233 thousand (31 December 2012: KZT 6,386,262 thousand).

25 Current accounts and deposits from customers

	30 September 2013 KZT'000	31 December 2012 KZT'000
Current accounts and demand deposits		
- Corporate	103,380,193	126,945,011
- Retail	8,425,673	7,497,961
- Accrued interest	24,753	28
Term deposits		
- Corporate	329,864,406	233,500,497
- Retail	190,476,945	148,477,684
- Accrued interest	3,769,888	2,008,737
	635,941,858	**518,429,918**

25 Current accounts and deposits from customers, continued

As at 30 September 2013, the Group maintained customer deposit balances of KZT 17,352,148 thousand (31 December 2012: KZT 15,947,688 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 30 September 2013, the Group has 15 customers (31 December 2012: 19 customers), whose balances exceed 10% of equity. These balances as at 30 September 2013 are KZT 251,207,752 thousand (31 December 2012: KZT 220,841,062 thousand).

26 Debt securities issued

	30 September 2013 KZT'000	31 December 2012 KZT'000
Nominal	19,623,483	9,925,920
Discount	(1,221,864)	(1,199,271)
Accrued interest	390,939	243,614
	18,792,558	**8,970,263**

The summary of bond issues at 30 September 2013 and 31 December 2012 is presented below:

					Carrying amount	
	Issue date	Maturity	Coupon rate	Effective rate	30 September 2013 KZT'000	31 December 2012 KZT'000
KZT denominated bonds of the ninth issue *	12.07.2011	12.07.2014	6.0%	6.9%	5,986,940	4,011,552
KZT denominated bonds of the eighteenth issue *	4.06.2013	4.06.2016	8.0%	8.2%	5,587,427	-
KZT denominated bonds of the sixth issue *	14.12.2006	14.12.2015	7.4%	10.8%	2,394,684	2,325,334
KZT denominated bonds of the seventh issue *	11.07.2007	11.07.2027	7.5%	10.9%	2,568,074	2,633,377
KZT denominated bonds of the nineteenth issue *	04.06.2013	04.06.2018	8.0%	8.7%	2,255,433	-
					18,792,558	**8,970,263**

* Quoted on KASE

27 Subordinated debt

	30 September 2013 KZT'000	31 December 2012 KZT'000
Cumulative non-redeemable preferred shares	2,664,811	2,714,441
Subordinated bonds	41,452,693	26,456,959
Subordinated loans	-	936,334
	44,117,504	**30,107,734**

As at 30 September 2013 and 31 December 2012 subordinated debt comprises quoted bonds and loans from foreign financial institutions and cumulative non-redeemable preferred shares. In case of bankruptcy, the repayment of the subordinated debt would be made after repayment in full of all other liabilities of the Group but before repayment of the preferred shares.

(a) Cumulative non-redeemable preference shares

Holders of cumulative non-redeemable preference shares receive a minimum cumulative dividend of 10% per annum on the par value of their shareholding. The preference shares do not carry the right to vote unless the dividend is in arrears. All shares rank equally with regard to the Group's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. All preference shares were issued and fully paid at their par value of KZT 1,000.

27 Subordinated debt, continued

(a) Cumulative non-redeemable preference shares, continued

During the nine-month period ended 30 September 2013, the Group accrued dividends on preference shares amounting to KZT 187,500 thousand (nine-month period ended 30 September 2012: KZT 187,500 thousand).

(b) Subordinated bonds

The summary of subordinated bonds at 30 September 2013 and 31 December 2012 is presented below:

					Carrying amount	
	Issue date	**Maturity**	**Coupon rate**	**Effective rate**	**30 September 2013 KZT'000**	**31 December 2012 KZT'000**
KZT denominated bonds of the thirteenth issue *	02.08.2012	02.08.2019	8.0%	9.7%	5,659,740	5,735,017
KZT denominated bonds of the eighth issue *	13.04.2011	13.04.2018	8.0%	8.1%	5,647,081	5,544,487
KZT denominated bonds of the eleventh issue *	01.02.2012	01.02.2019	8.0%	9.2%	4,838,387	4,915,773
KZT denominated bonds of the sixteenth issue *	04.06.2013	04.06.2028	9.0%	9.7%	4,767,004	-
KZT denominated bonds of the fourteenth issue *	04.06.2013	04.06.2020	8.0%	9.7%	4,748,943	-
KZT denominated bonds of the fifteenth issue *	04.06.2013	04.06.2023	8.0%	9.7%	4,573,959	-
KZT denominated bonds of the twelfth issue *	02.08.2012	02.08.2019	8.0%	9.7%	3,752,927	3,807,293
KZT denominated bonds of the tenth issue *	30.06.2011	30.06.2018	8.0%	10.7%	3,644,420	3,671,589
KZT denominated bonds of the fifth issue *	28.06.2006	28.06.2014	7.4%	10.1%	2,981,959	2,782,800
KZT denominated bonds*	19.03.2013	19.03.2020	8.0%	9.7%	838,273	-
					41,452,693	**26,456,959**

* Quoted on KASE

(c) Subordinated loans

Creditor	**30 September 2013 KZT'000**	**31 December 2012 KZT'000**	**Interest rate**	**Origination date**	**Maturity date**
Halden Invest and Finance S.A.	-	936,334	1 month Euro LIBOR plus 4.75%	30.06.2006	30.06.2013

28 Other liabilities

	30 September 2013 KZT'000	31 December 2012 KZT'000
Sundry creditors	810,947	556,495
Insurance and reinsurance payables	943,060	448,580
Dividends payable	1,421	1,421
Total other financial liabilities	**1,755,428**	**1,006,496**
Insurance contract provisions	3,973,868	4,017,925
Deferred income for guarantees and letters of credit issued	1,255,861	1,460,924
Other prepayments	1,296,899	415,897
Accrued vacation	1,364,814	303,216
Other taxes payable	415,879	216,993
Other non-financial liabilities	1,699	27,725
Total other non-financial liabilities	**8,309,020**	**6,442,680**
Total other liabilities	**10,064,448**	**7,449,176**

(a) Insurance contract provisions

	Gross 30 September 2013 '000 KZT	Reinsurance 30 September 2013 '000 KZT	Net 30 September 2013 '000 KZT
Unearned premium provision	3,299,264	(2,295,723)	1,003,541
Provision for claims incurred but not reported	570,543	-	570,543
Provision for claims reported but not settled	104,061	(61,558)	42,503
	3,973,868	**(2,357,281)**	**1,616,587**

	Gross 31 December 2012 '000 KZT	Reinsurance 31 December 2012 '000 KZT	Net 31 December 2012 '000 KZT
Unearned premium provision	3,281,244	(1,336,037)	1,945,207
Provision for claims incurred but not reported	691,922	(467,448)	224,474
Provision for claims reported but not settled	44,759	(13,429)	31,330
	4,017,925	**(1,816,914)**	**2,201,011**

Key insurance contract provision assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assumptions and sensitivities.

28 Other liabilities, continued

(a) Insurance contract provisions, continued

Key insurance contract provision assumptions, continued

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

Provisions for claims incurred but not reported (IBNR) are estimated using a range of chain ladder statistical methods. Such methods extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years using statistics of other Kazakh insurance companies for similar products.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case. Such reasons include economic, legal, political and social trends, change in mix of business, random fluctuations, including the impact of large losses.

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim.

Management believes that due to the short-tail nature of the majority of the Group's business, the performance of the Group's portfolio is sensitive mainly to changes in expected loss ratios. The Group adjusts its insurance tariffs on a regular basis, based on the latest developments in these variables so that any emerging trends are taken into account.

29 Share capital

(a) Issued capital

As at 30 September 2013, the authorised share capital comprises 77,500,000 ordinary shares and 2,500,000 non-redeemable cumulative preference shares (31 December 2012: 77,500,000 ordinary shares and 2,500,000 non-redeemable cumulative preference shares). Issued and outstanding share capital comprises 33,719,358 ordinary shares and 2,478,894 non-redeemable cumulative preference shares (31 December 2012: 30,226,122 ordinary shares and 2,467,674 non-redeemable cumulative preference shares). The shares do not have a par value. During the nine-month period ended 30 September 2013 3,500,000 ordinary shares were issued at KZT 1,800 per share (31 December 2012: 2,800,000 ordinary shares were issued at KZT 1,800 per share).

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

(b) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

At a general shareholders' meeting held in April 2013, the Bank made a decision not to pay any dividends (31 December 2012: nil).

(c) Treasury shares

As at 30 September 2013 the Group held 80,642 of its own ordinary shares (31 December 2012: 73,878 ordinary shares).

29 Share capital, continued

(d) Book value per share

Under the listing rules of the Kazakh Stock Exchange the Group should present book value per share in its consolidated interim financial statements. The book value per ordinary share is calculated by dividing net assets less intangible assets by number of outstanding ordinary shares. As at 30 September 2013 the book value per ordinary share was KZT 1,853 (31 December 2012: KZT 1,569).

The book value per preferred share is calculated by dividing equity with prior claims and debt component of preferred shares by number of outstanding preferred shares. As at 30 September 2013 the book value per preferred share was KZT 1,075 (31 December 2012: KZT 1,100).

(e) Reserves for general banking and insurance risks

Until 2013 year, in accordance with amendments to the Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the FMSC on 31 January 2011 (which ceased to be in force during 2013), the Group should establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year is calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in Classified Assets and Contingent Liabilities (as defined in 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 FMSC on 25 December 2006 (which ceased to be in force during 2013)) during the preceding year. Such percentage increase should be not less than 10% and not more than 100%.

In accordance with the Regulation of FMSC #61 dated 30 April 2010 On creating and maintaining insurance reserves effective 1 January 2011 the Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC, should establish a stabilisation reserve for insurance products that demonstrate loss rates exceeding its average loss rate for three preceding years.

A transfer from retained earnings to the reserve for general banking risks in the amount of KZT 5,095,367 thousand was made for the nine-month period ended 30 September 2013 (30 September 2012: KZT 4,146,175 thousand).

The reserve for general banking risks in the amount of KZT 11,982,676 thousand is available for distribution since Resolution #196 ceased to be in force in 2013. The remaining statutory reserve for insurance risks is non-distributable.

30 Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 30 September 2013 is based on the profit attributable to ordinary shareholders of KZT 8,988,728 thousand (nine-month period ended 30 September 2012: KZT 11,145,786 thousand), and a weighted average number of ordinary shares outstanding of 31,626,695 (nine-month period ended 30 September 2012: 28,097,866) calculated as follows:

	Nine-month period ended 30 September 2013	**Nine-month period ended 30 September 2012**
Net profit, in thousand of KZT	8,988,728	11,145,786
Issued ordinary shares at the beginning of the period	30,226,122	27,480,830
Effect of shares issued during the period	1,400,573	617,036
Weighted average number of ordinary shares	**31,626,695**	**28,097,866**
Basic earnings per share, in KZT	284	397

The Group does not have any potentially dilutive securities.

31 Risk management

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

(a) Risk management policies and procedures

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

The Board of Directors 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 is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of the Credit Risk Department and Financial and Operational Risks Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

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

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

(b) Market risk

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

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

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

The Group 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.

The Group also utilises Value-at-Risk (VAR) methodology to monitor market risk of its trading positions.

(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 Group 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.

31 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest bearing financial instruments is as follows:

KZT'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
30 September 2013							
ASSETS							
Cash and cash equivalents	10,095,796	-	-	-	-	32,235,250	42,331,046
Deposits and balances with banks and other financial institutions	1,807,550	645,865	271,016	5,202,736	-	-	7,927,167
Financial instruments at fair value through profit or loss	482,193	-	14,967,691	5,617,547	86,532	52,961	21,206,924
Available-for-sale financial assets	-	-	-	1,143,463	637,088	3,050,098	4,830,649
Loans to customers	85,689,416	77,598,774	196,090,656	211,693,951	55,597,917	13,880,444	640,551,158
Held-to-maturity investments	3,000,000	-	12,824,078	15,156,592	-	-	30,980,670
	101,074,955	**78,244,639**	**224,153,441**	**238,814,289**	**56,321,537**	**49,218,753**	**747,827,614**
LIABILITIES							
Deposits and balances from banks and other financial institutions	2,848,324	6,642,330	2,255,052	5,906,825	5,184,000	-	22,836,531
Current accounts and deposits from customers	66,240,068	61,932,530	191,657,547	241,945,897	-	74,165,816	635,941,858
Debt securities issued	-	2,597,920	6,044,972	7,639,625	2,510,041	-	18,792,558
Subordinated debt	203,918	3,388,210	468,103	9,006,997	28,572,965	2,477,311	44,117,504
	69,292,310	**74,560,990**	**200,425,674**	**264,499,344**	**36,267,006**	**76,643,127**	**721,688,451**
	31,782,645	**3,683,649**	**23,727,767**	**(25,685,055)**	**20,054,531**	**(27,424,374)**	**26,139,163**

31 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2012							
ASSETS							
Cash and cash equivalents	2,290,717	-	-	-	-	39,991,709	42,282,426
Deposits and balances with banks and other financial institutions	425,183	1,400,000	2,314,618	2,321,123	-	2,272,119	8,733,043
Financial instruments at fair value through profit or loss	1,498,492	448,633	29,060,530	-	-	85,189	31,092,844
Available-for-sale financial assets	982,462	-	821,143	-	-	3,796,735	5,600,340
Loans to customers	33,842,707	52,747,632	150,074,318	169,865,146	43,717,235	30,191,004	480,438,042
Held-to-maturity investments	804,623	-	9,267,336	7,612,761	-	388,675	18,073,395
	39,844,184	**54,596,265**	**191,537,945**	**179,799,030**	**43,717,235**	**76,725,431**	**586,220,090**
LIABILITIES							
Deposits and balances from banks and other financial institutions	28,217	203,834	141,665	7,034,637	200,000	178,538	7,786,891
Current accounts and deposits from customers	31,148,502	63,405,527	163,843,928	190,041,107	5,116,863	64,873,991	518,429,918
Debt securities issued	-	-	-	6,443,909	2,282,730	243,624	8,970,263
Subordinated debt	-	936,334	-	2,781,258	23,023,066	3,367,076	30,107,734
	31,176,719	**64,545,695**	**163,985,593**	**206,300,911**	**30,622,659**	**68,663,229**	**565,294,806**
	8,667,465	**(9,949,430)**	**27,552,352**	**(26,501,881)**	**13,094,576**	**8,062,202**	**20,925,284**

31 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 30 September 2013 and 31 December 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	30 September 2013 Average effective interest rate, %			31 December 2012 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	-	0.03	-	-	1.80	2.89
Deposits and balances with banks and other financial institutions	8.72	8.20	-	4.91	8.98	-
Financial instruments at fair value through profit or loss	3.40	5.42	-	3.62	3.98	-
Available-for-sale financial assets	6.50	-	-	6.01	-	-
Loans to customers	15.02	11.65	7.35	14.10	10.61	7.40
Held-to-maturity investments	4.73	-	-	3.99	-	-
Interest bearing liabilities						
Deposits and balances from banks and other financial institutions						
- Vostro accounts	-	-	-	-	-	-
- Term deposits	7.99	6.07	5.01	7.46	4.34	4.35
Current accounts and deposits from customers						
- Current accounts and demand deposits	2.14	-	-	2.21	-	-
- Term deposits	7.58	5.44	4.2	7.52	6.20	5.32
Debt securities issued	9.38	-	-	10.10	-	-
Subordinated debt	9.75	-	-	9.67	-	EuroLIBOR +4.75

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate 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 expected for the period of up to twelve months existing as at 30 September 2013 and 31 December 2012 is as follows:

	30 September 2013		31 December 2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	(339,408)	(339,408)	(82,778)	(82,778)
100 bp parallel rise	339,408	339,408	82,778	82,778

31 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 30 September 2013 and 31 December 2012 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves using modified duration method is as follows:

	30 September 2013		31 December 2012	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	201,755	266,470	337,613	337,613
100 bp parallel rise	(201,755)	(266,470)	(337,613)	(337,613)

(ii) Currency risk

The Group 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.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 30 September 2013:

	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	21,869,753	18,124,043	1,746,221	566,100	24,929	42,331,046
Deposits and balances with banks and other financial institutions	5,568,698	2,358,469	-	-	-	7,927,167
Financial instruments at fair value through profit or loss	20,696,829	500,612	-	-	9,483	21,206,924
Available-for-sale financial assets	4,830,649	-	-	-	-	4,830,649
Loans to customers	491,420,334	144,827,974	4,302,850	-	-	640,551,158
Held-to-maturity investments	30,980,670	-	-	-	-	30,980,670
Other financial assets	11,817,970	887,643	208,668	3,711	-	12,917,992
Total financial assets	**587,184,903**	**166,698,741**	**6,257,739**	**569,811**	**34,412**	**760,745,606**
LIABILITIES						
Deposits and balances from banks and other financial institutions	12,767,602	9,996,152	63,988	8,789	-	22,836,531
Current accounts and deposits from customers	471,299,964	158,267,871	6,079,426	278,721	15,876	635,941,858
Debt securities issued	18,792,558	-	-	-	-	18,792,558
Subordinated debt	44,117,504	-	-	-	-	44,117,504
Other financial liabilities	1,497,833	257,225	200	-	170	1,755,428
Total financial liabilities	**548,475,461**	**168,521,248**	**6,143,614**	**287,510**	**16,046**	**723,443,879**
Net position as at 30 September 2013	**38,709,442**	**(1,822,507)**	**114,125**	**282,301**	**18,366**	**37,301,727**

31 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	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	35,890,639	3,633,451	1,848,020	849,887	60,429	42,282,426
Deposits and balances with banks and other financial institutions	5,888,674	2,844,364	-	5	-	8,733,043
Financial instruments at fair value through profit or loss	29,171,920	1,902,245	-	-	18,679	31,092,844
Available-for-sale financial assets	5,600,340	-	-	-	-	5,600,340
Loans to customers	417,153,874	58,069,457	5,214,711	-	-	480,438,042
Held-to-maturity investments	18,073,395	-	-	-	-	18,073,395
Other financial assets	11,461,148	627,558	54,960	29,101	-	12,172,767
Total financial assets	**523,239,990**	**67,077,075**	**7,117,691**	**878,993**	**79,108**	**598,392,857**
LIABILITIES						
Deposits and balances from banks and other financial institutions	7,297,294	336,799	148,546	4,252	-	7,786,891
Current accounts and deposits from customers	442,334,047	69,606,065	6,073,628	415,737	441	518,429,918
Debt securities issued	8,970,263	-	-	-	-	8,970,263
Subordinated debt	29,171,400	-	936,334	-	-	30,107,734
Other financial liabilities	992,592	2,442	11,289	108	65	1,006,496
Total financial liabilities	**488,765,596**	**69,945,306**	**7,169,797**	**420,097**	**506**	**566,301,302**
Net position as at 31 December 2012	**34,474,394**	**(2,868,231)**	**(52,106)**	**458,896**	**78,602**	**32,091,555**

31 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 30 September 2013 and 31 December 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	30 September 2013		31 December 2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% appreciation of USD against KZT	(145,801)	(145,801)	(229,458)	(229,458)
10% appreciation of EUR against KZT	9,130	9,130	(4,168)	(4,168)
10% appreciation of RUB against KZT	22,584	22,584	36,712	36,712

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

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in an equity financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on equity instrument positions existing as at 30 September 2013 and 31 December 2012 and a simplified scenario of a 10% change in all equity securities prices is as follows:

	30 September 2013		31 December 2012	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% increase in securities prices	5,296	310,306	8,519	388,192
10% decrease in securities prices	(5,296)	(310,306)	(8,519)	(388,192)

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)

31 Risk management, continued

(c) Credit risk, continued

- 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.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Business Department, which is responsible for the corporate loan portfolio. Analysis reports made by the department are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Credit Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. Before approval of independent transactions by the Credit Committee, they are reviewed by the Legal and Collateral Departments on the basis of the risk specification. The Credit Committee reviews the loan credit application on the basis of documents submitted by the Loan, Risk, Legal and Collateral Departments.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

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

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated interim statement of financial position and unrecognised contractual commitments. 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:

	30 September 2013 KZT'000	31 December 2012 KZT'000
ASSETS		
Cash equivalents	23,356,922	31,975,950
Deposits and balances with banks and other financial institutions	7,927,167	8,733,043
Financial instruments at fair value through profit or loss	21,153,963	31,007,655
Available-for-sale financial assets	1,780,551	1,803,605
Loans to customers	640,551,158	480,438,042
Held-to-maturity investments	30,980,670	18,073,395
Other financial assets	12,917,992	12,172,767
Total maximum exposure	**738,668,423**	**584,204,457**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 19.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 33.

As at 30 September 2013 the Group did not have debtors or groups of connected debtors (31 December 2012: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

31 Risk management, continued

(d) Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

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

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

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

The following tables show the undiscounted cash flows on financial liabilities and unrecognised credit related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment.

31 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 30 September 2013 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total gross amount outflow	Carrying amount
Liabilities								
Deposits and balances from banks and other financial institutions	2,856,537	4,352,784	4,881,487	7,293,271	9,239,950	-	28,624,029	22,836,531
Current accounts and deposits from customers	131,189,499	62,646,725	199,945,650	292,167,288	13,274,503	-	699,223,665	635,941,858
Debt securities issued	-	257,597	6,422,488	11,646,088	4,600,110	-	22,926,283	18,792,558
Subordinated debt	205,493	470,335	3,629,049	11,511,919	44,465,729	2,477,311	62,759,836	44,117,504
Other financial liabilities	606,164	909,403	82,894	254	-	156,713	1,755,428	1,755,428
Total liabilities	**134,857,693**	**68,636,844**	**214,961,568**	**322,618,820**	**71,580,292**	**2,634,024**	**815,289,241**	**723,443,879**
Credit related commitments	168,787,541	-	-	-	-	-	168,787,541	168,787,541

Future interest payments for non-redeemable cumulative preference shares, which are payable annually, are not included in the table above.

31 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total gross amount outflow	Carrying amount
Liabilities								
Deposits and balances from banks and other financial institutions	370,509	570,457	748,690	7,403,303	347,238	-	9,440,197	7,786,891
Current accounts and deposits from customers	149,607,132	24,341,623	163,872,908	226,185,567	8,909,364	-	572,916,594	518,429,918
Debt securities issued	237,958	-	8,019	7,377,022	4,844,818	-	12,467,817	8,970,263
Subordinated debt	167,791	336,343	1,549,554	3,598,155	36,547,504	2,500,000	44,699,347	30,107,734
Other financial liabilities	488,370	38,417	479,701	8	-	-	1,006,496	1,006,496
Total liabilities	**150,871,760**	**25,286,840**	**166,658,872**	**244,564,055**	**50,648,924**	**2,500,000**	**640,530,451**	**566,301,302**
Credit related commitments	154,872,064	-	-	-	-	-	154,872,064	154,872,064

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

31 Risk management, continued

(d) Liquidity risk, continued

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the following financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows:

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated interim statement of financial position as at 30 September 2013:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	42,331,046	-	-	-	-	-	-	42,331,046
Deposits and balances with banks and other financial institutions	1,807,550	645,865	271,016	5,202,736	-	-	-	7,927,167
Financial instruments at fair value through profit or loss	482,193	-	14,967,691	5,617,547	86,532	52,961	-	21,206,924
Available-for-sale financial assets	-	-	-	1,143,463	637,088	3,050,098	-	4,830,649
Loans to customers	85,689,416	77,598,774	196,090,656	211,693,951	55,597,917	-	13,880,444	640,551,158
Held-to-maturity investments	3,000,000	-	11,491,178	16,489,492	-	-	-	30,980,670
Property, equipment and intangible assets	-	-	-	-	-	19,459,632	-	19,459,632
Investment property	-	-	-	-	-	1,267,483	-	1,267,483
Current tax asset	-	-	210,300	-	-	-	-	210,300
Deferred tax asset	-	-	-	-	-	88,205	-	88,205
Other assets	3,283,205	3,545,590	2,466,624	6,634,568	137,502	10,139,206	655,712	26,862,407
Total assets	**136,593,410**	**81,790,229**	**225,497,465**	**246,781,757**	**56,459,039**	**34,057,585**	**14,536,156**	**795,715,641**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	2,838,033	4,296,754	4,610,919	5,906,825	5,184,000	-	-	22,836,531
Current accounts and deposits from customers	131,025,575	61,932,530	191,657,547	241,945,897	9,380,309	-	-	635,941,858
Debt securities issued	-	254,071	6,044,972	9,983,474	2,510,041	-	-	18,792,558
Subordinated debt	203,918	463,179	3,393,134	9,006,997	28,572,965	2,477,311	-	44,117,504
Current tax liability	-	-	68,029	-	-	-	-	68,029
Deferred tax liability	-	-	-	-	-	402,461	-	402,461
Other liabilities	2,457,641	2,408,067	4,322,341	485,846	135,884	254,669	-	10,064,448
Total liabilities	**136,525,167**	**69,354,601**	**210,096,942**	**267,329,039**	**45,783,199**	**3,134,441**	**-**	**732,223,389**
Net position	**68,243**	**12,435,628**	**15,400,523**	**(20,547,282)**	**10,675,840**	**30,923,144**	**14,536,156**	**63,492,252**

31 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated 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	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	42,282,426	-	-	-	-	-	-	42,282,426
Deposits and balances with banks and other financial institutions	705,501	1,597,938	2,747,186	3,682,418	-	-	-	8,733,043
Financial instruments at fair value through profit or loss	1,498,493	448,633	14,014,415	15,022,571	36,487	72,245	-	31,092,844
Available-for-sale financial assets	44,426	-	-	1,156,815	646,790	3,752,309	-	5,600,340
Loans to customers	57,375,796	52,747,632	150,074,318	169,865,146	43,717,235	-	6,657,915	480,438,042
Held-to-maturity investments	499,795	-	9,197,407	7,939,968	304,828	-	131,397	18,073,395
Property, equipment and intangible assets	-	-	-	-	-	10,823,149	-	10,823,149
Investment property	-	-	-	-	-	1,267,483	-	1,267,483
Current tax asset	150,035	-	4,675	-	-	-	-	154,710
Other assets	7,496,337	788,726	5,172,478	1,464,759	478	6,894,543	1,149,667	22,966,988
Total assets	**110,052,809**	**55,582,929**	**181,210,479**	**199,131,677**	**44,705,818**	**22,809,729**	**7,938,979**	**621,432,420**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	368,029	562,872	705,885	5,958,105	192,000	-	-	7,786,891
Current accounts and deposits from customers	49,024,726	110,004,015	164,243,207	190,041,107	5,116,863	-	-	518,429,918
Debt securities issued	236,128	-	7,496	6,216,584	2,510,055	-	-	8,970,263
Subordinated debt	166,434	330,942	1,440,323	2,781,258	22,921,103	2,467,674	-	30,107,734
Deferred tax liability	-	-	-	253,099	-	-	-	253,099
Other liabilities	1,737,506	423,366	4,814,556	473,384	364	-	-	7,449,176
Total liabilities	**51,532,823**	**111,321,195**	**171,211,467**	**205,723,537**	**30,740,385**	**2,467,674**	**-**	**572,997,081**
Net position	**58,519,986**	**(55,738,266)**	**9,999,012**	**(6,591,860)**	**13,965,433**	**20,342,055**	**7,938,979**	**48,435,339**

32 Capital management

The FMSC sets and monitors capital requirements for the Bank. The Bank and its subsidiaries are directly supervised by their respective local regulators.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

- Tier 1 capital, which is comprised of ordinary and preference share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses

- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's income, revaluation reserves, qualifying subordinated liabilities and dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base.

Under the current capital requirements set by the FMSC banks have to maintain:

- a ratio of tier 1 capital less investments to total assets less investments (k1.1)
- a ratio of tier 1 capital less investments to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1.2)
- a ratio of total capital to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k2).

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

As at 30 September 2013 and 31 December 2012 the minimum level of ratios as applicable to the Bank are as follows:

- k1.1 - 5%
- k1.2 - 5%
- k2 - 10%.

The Bank is in compliance with the statutory capital ratios as at 30 September 2013 and 31 December 2012. As at 30 September 2013 the Bank's ratios were as follows: k1.1 – 7.2%, k1.2 – 7.5% and k2 – 12.4% (31 December 2012: k1.1 – 6.4%, k1.2 – 6.7% and k2 – 11.8%).

33 Commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

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

33 Commitments, continued

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

	30 September 2013 KZT'000	31 December 2012 KZT'000
Contracted amount		
Loan and credit line commitments	107,373,807	101,227,406
Guarantees	59,829,483	53,458,317
Letters of credit	1,418,753	87,553
Credit card commitments	165,498	98,788
	168,787,541	**154,872,064**

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 30 September 2013 the Group has outstanding contractual commitments that exceed 10% of capital to 3 clients for the total amount of KZT 23,201,656 thousand. Of these commitments, KZT 15,220,000 thousand are related to revocable loan and credit line commitments. The remaining amount of KZT 7,981,656 thousand related to the guarantees issued by the Group.

34 Operating leases

Leases as lessee

Non-cancelable operating lease rentals as at 30 September are payable as follows:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Less than 1 year	319,049	344,200

The Group leases a number of premises and equipment 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. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current period KZT 2,716,512 thousand was recognised as an expense in the consolidated interim statement of profit or loss and other comprehensive income in respect of operating leases (nine-month period ended 30 September 2012: KZT 2,132,152 thousand).

35 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 Group 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 Group 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.

35 Contingencies, continued

(b) Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

(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 often unclear, 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. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

36 Related party transactions

(a) Control relationships

The party with ultimate control over the Group is Mr. Zhaksybekov A.R., who has transferred effective control to Mrs. Zhaksybekova L.I. under a trust management agreement. No publicly available financial statements are produced by the Group's ultimate controlling party. The Group's parent Financial Holding Tsesna JSC (the "Parent company") and ultimate parent Tsesna Corporation JSC (the "Ultimate parent company") produce publicly available financial statements.

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

Total remuneration included in personnel expenses for the nine-month period ended 30 September is as follows:

	Nine-month period ended 30 September 2013 KZT'000	**Nine-month period ended 30 September 2012 KZT'000**
Members of the Board of Directors	27,576	20,362
Members of the Management Board	318,234	168,918
	345,810	**189,280**

36 Related party transactions, continued

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

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

	30 September 2013 KZT'000	Average interest rate %	31 December 2012 KZT'000	Average interest rate %
Consolidated interim statement of financial position				
ASSETS				
Loans to customers	133,498	10.58	118,145	10.38
Loan impairment allowance	(556)	-	(310)	-
Other assets	7,100	-	7,550	-
LIABILITIES				
Current accounts and deposits from customers	2,181,408	-	2,589,389	8.51
Other liabilities	42	-	8	-
Items not recognised in the consolidated statement of financial position				
Contingent liabilities	44,421	-	50,267	-

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

	Nine-month period ended 30 September 2013 KZT'000	Nine-month period ended 30 September 2012 KZT'000
Profit or loss		
Interest income	7,814	13,008
Interest expense	(130,553)	(55,238)
	(122,739)	**(42,230)**

36 Related party transactions, continued

(c) Transactions with other related parties

Other related parties include the parent company, ultimate parent company, fellow subsidiaries and other related entities. The outstanding balances and the related average interest rates as at 30 September 2013 and related profit or loss amounts of transactions for the nine-month period ended 30 September 2013 with other related parties are as follows.

	Parent company		Ultimate parent company and other fellow subsidiaries		Other*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated interim statement of financial position							
ASSETS							
Available-for-sale financial assets							
Loans to customers							
In KZT:							
Principal balance	-	-	1,545,233	12.00	1,529,735	12.48	3,074,968
Allowance for impairment	-	-	-	-	(407)	-	(407)
In USD:							
Principal balance	-	-	-	-	828,039	11.00	828,039
Other assets	-	-	4,755	-	3,691	-	8,446
LIABILITIES							
Current accounts and deposits from customers							
In KZT	32,984	6.37	643,833	5.97	1,447,551	8.87	2,124,368
In USD	-	-	-	-	228,286	5.92	228,286
In other currency	-	-	1,463	-	419,370	1.00	420,833
Subordinated debt	-	-	220,000	-	-	-	220,000
Other liabilities	-	-	29	-	3,160	-	3,189
Items not recognised in the consolidated statement of financial position							
Guarantees received	-	-	-	-	22,000	-	22,000
Commitments	-	-	139,000	-	656,397	-	795,397
Consolidated interim statement of profit or loss and other comprehensive income							
Interest income	-	-	143,103	-	253,452	-	396,555
Interest expense	(5,168)	-	(20,641)	-	(117,910)	-	(143,719)
Fee and commission income	45	-	15,561	-	8,775	-	24,381
Other general administrative expenses	-	-	(706,270)	-	3	-	(706,267)

36 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2012 and related profit or loss amounts of transactions for the nine-month period ended 30 September 2012 with other related parties are as follows.

	Parent company		Ultimate parent company and other fellow subsidiaries		Other*		
	KZT'000	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**	**Total KZT'000**
Consolidated interim statement of financial position							
ASSETS							
Available-for-sale financial assets	-	-	-	-	895,180	-	895,180
Loans to customers							
In KZT:							
Principal balance	-	-	1,611,619	12.00	4,506,076	12.24	6,117,695
Allowance for impairment	-	-	-	-	(3,154)		(3,154)
In USD:							
Principal balance	-	-	-	-	759,859	11.00	759,859
Other assets	-	-	6	-	260	-	266
LIABILITIES							
Current accounts and deposits from customers							
In KZT	101,436	6.90	619,467	5.05	1,474,930	8.04	2,195,833
In USD	-	-	-	-	122,488	6.90	122,488
In other currency	-	-	-	-	392,152	7.90	392,152
Other liabilities	-	-	309	-	75	-	384
Items not recognised in the consolidated statement of financial position							
Guarantees received	-	-	-	-	22,000	-	22,000
Commitments	-	-	139,000	-	642,266	-	781,266
Consolidated interim statement of profit or loss and other comprehensive income							
Interest income	-	-	51,185	-	206,120	-	257,305
Interest expense	-	-	(35,020)	-	(113,304)	-	(148,324)
Fee and commission income	-	-	13,772	-	10,638	-	24,410
Other general administrative expenses	-	-	(690,720)	-	1	-	(690,719)

* Other related parties are the entities that are controlled by the ultimate controlling party.

37 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	42,331,046	-	-	42,331,046	42,331,046
Deposits and balances with banks and other financial institutions	-	-	7,927,167	-	-	7,927,167	7,927,167
Financial instruments at fair value through profit or loss	21,206,924	-	-	-	-	21,206,924	21,206,924
Available-for-sale financial assets	-	-	-	4,830,649	-	4,830,649	4,830,649
Loans to customers	-	-	640,551,158	-	-	640,551,158	643,524,350
Held-to-maturity investments:							
Government bonds	-	29,934,261	-	-	-	29,934,261	30,000,656
Corporate bonds	-	1,046,409	-	-	-	1,046,409	1,049,604
Other financial assets	-	-	12,917,992	-	-	12,917,992	12,917,992
	21,206,924	**30,980,670**	**703,727,363**	**4,830,649**	**-**	**760,745,606**	**763,788,388**
Deposits and balances from banks and other financial institutions	-	-	-	-	22,836,531	22,836,531	22,836,531
Current accounts and deposits from customers	-	-	-	-	635,941,858	635,941,858	644,322,146
Debt securities issued	-	-	-	-	18,792,558	18,792,558	18,864,851
Subordinated debt	-	-	-	-	44,117,504	44,117,504	41,863,592
Other financial liabilities	-	-	-	-	1,755,428	1,755,428	1,755,428
	-	-	-	-	**723,443,879**	**723,443,879**	**729,642,548**

37 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	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	42,282,426	-	-	42,282,426	42,282,426
Deposits and balances with banks and other financial institutions	-	-	8,733,043	-	-	8,733,043	8,733,043
Financial instruments at fair value through profit or loss	31,092,844	-	-	-	-	31,092,844	31,092,844
Available-for-sale financial assets	-	-	-	5,600,340	-	5,600,340	5,600,340
Loans to customers	-	-	480,438,042	-	-	480,438,042	492,611,697
Held-to-maturity investments:							
Government bonds	-	17,178,748	-	-	-	17,178,748	16,660,484
Corporate bonds	-	894,647	-	-	-	894,647	459,613
Other financial assets	-	-	12,172,767	-	-	12,172,767	12,172,767
	31,092,844	**18,073,395**	**543,626,278**	**5,600,340**	**-**	**598,392,857**	**609,613,214**
Deposits and balances from banks and other financial institutions	-	-	-	-	7,786,891	7,786,891	7,786,891
Current accounts and deposits from customers	-	-	-	-	518,429,918	518,429,918	527,226,875
Debt securities issued	-	-	-	-	8,970,263	8,970,263	9,725,131
Subordinated debt	-	-	-	-	30,107,734	30,107,734	29,837,829
Other financial liabilities	-	-	-	-	1,006,496	1,006,496	1,006,496
	-	-	-	-	**566,301,302**	**566,301,302**	**575,583,222**

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

(a) Accounting classifications and fair values, continued

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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

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.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain securities for which there is no active market.

As disclosed in Note 18, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 21,011 thousand (2012: KZT 20,843 thousand) cannot be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 8.7% – 10.3% and 11.4% – 21.2% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 1.4% – 2.4% and 5.6% – 8.2% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively
- quoted market prices are used for determination of fair value of debt securities issued.

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

(b) Fair value hierarchy

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

The table below analyses financial instruments measured at fair value as at 30 September 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated interim statement of financial position:

KZT'000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss	509,457	20,697,467	21,206,924
Available-for-sale financial assets			
- Debt and other fixed income instruments	-	1,780,551	1,780,551
- Equity investments	-	3,029,087	3,029,087
	509,457	**25,507,105**	**26,016,562**

Securities, which are listed on the KASE but which do not have an active market as at 31 December 2012, are classified as level 2 in the fair value hierarchy. As at 30 September 2013 financial instruments categorised to Level 2 category include government securities of KZT 17,822,729 thousand.

The table below analyses financial instruments measured at fair value as at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss	1,918,324	29,174,520	31,092,844
Available-for-sale financial assets			
- Debt and other fixed income instruments	-	1,803,605	1,803,605
- Equity investments	-	3,775,892	3,775,892
	1,918,324	**34,754,017**	**36,672,341**

Securities, which are listed on the KASE but which do not have an active market as at 31 December 2012, are classified as level 2 in the fair value hierarchy. As at 31 December 2012 financial instruments categorised to Level 2 category include government securities of KZT 24,523,531 thousand.

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

(b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 September 2013:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	42,331,046	-	42,331,046	42,331,046
Deposits and balances with banks and other financial institutions	-	7,927,167	-	7,927,167	7,927,167
Loans to customers	-	623,883,453	19,640,897	643,524,350	640,551,158
Held-to-maturity investments	-	31,050,260	-	31,050,260	30,980,670
Liabilities					
Deposits and balances from banks and other financial institutions	-	22,836,531	-	22,836,531	22,836,531
Current accounts and deposits from customers	-	644,322,146	-	644,322,146	635,941,858
Debt securities issued	-	18,864,851	-	18,864,851	18,792,558
Subordinated debt	-	41,863,592	-	41,863,592	44,117,504

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2012:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	42,282,426	-	42,282,426	42,282,426
Deposits and balances with banks and other financial institutions	-	8,733,043	-	8,733,043	8,733,043
Loans to customers	-	475,067,194	17,544,503	492,611,697	480,438,042
Held-to-maturity investments	-	17,120,097	-	17,120,097	18,073,395
Liabilities					
Deposits and balances from banks and other financial institutions	-	9,725,131	-	9,725,131	8,970,263
Current accounts and deposits from customers	-	527,226,875	-	527,226,875	518,429,918
Debt securities issued	-	9,725,131	-	9,725,131	8,970,263
Subordinated debt	-	29,837,829	-	29,837,829	30,107,734