



CENTERCREDIT

**JOINT-STOCK COMPANY
BANK CENTERCREDIT**

**EXPLANATORY NOTE
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2018**

JOINT-STOCK COMPANY BANK CENTERCREDIT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018
(in millions of Kazakhstani tenge, unless otherwise stated)

1. ORGANIZATION

JSC Bank CenterCredit (the “Bank”) is a Joint Stock Company, which has been incorporated and carrying out its operations in the Republic of Kazakhstan since 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The National Bank of the Republic of Kazakhstan (the “NBRK”) is a regulatory authority of the Bank. The Bank conducts its business under the license number 1.2.25/195/34, renewed on 28 January 2015.

The Bank's principal activity consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund.

The registered address is 38, Al Farabi Ave., Almaty, Republic of Kazakhstan.

As at 30 June 2018 and 31 December 2017, the Bank had 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of a banking group (the “Group”), which consists of the following subsidiaries consolidated in its consolidated financial statements:

| Name | Country of operation | Ownership percentage | | Activity |
|----------------|------------------------|----------------------|------------------|---------------------------------|
| | | 30 June 2018 | 31 December 2017 | |
| LLP BCC-SAOO | Republic of Kazakhstan | 100% | 100% | Management of distressed assets |
| JSC BCC Invest | Republic of Kazakhstan | 96.54% | 95.19% | Brokerage and dealer activity |

As at 30 June 2018 and 31 December 2017, the number of ordinary shares was allocated as follows:

| | 30 June 2018 | 31 December 2017 |
|--|---------------|------------------|
| | % | % |
| B.R. Baiseitov | 48.07 | 43.89 |
| V.S. Lee | 10.05 | - |
| Tsesnabank JSC | - | 29.56 |
| Kookmin Bank | - | - |
| IFC | - | - |
| Other (individually hold less than 5%) | 41.88 | 26.55 |
| | 100.00 | 100.00 |

On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank's issued ordinary share capital. As at 31 December 2016, Kookmin Bank's share was 41.93% and the International Financial Corporation's (“IFC”) share was 10% of the issued capital of the Bank.

In March 2017, the Bank's shareholder Mr. Bakhytbek Rymbekovich Baiseitov bought the Bank's ordinary shares owed by the IFC in the amount of 10% of the total amount of shares placed by the Bank. The date when changes were registered in the shareholder register is 15 March 2017.

On 17 April 2017, the membership of the Bank's shareholders has changed as follows: the shareholder of the Bank - Kookmin Bank, which owned 41.93% of the total amount of shares placed by the Bank sold its ordinary and preference shares to JSC Tsesna Bank, JSC Financial Holding “Tsesna” and Bakhytbek Rymbekovich Baiseitov.

On 13 February 2018, JSC Bank CenterCredit announced repurchase of 100% of the placed preference shares convertible into ordinary shares of Bank Center Credit JSC on the following terms:

- number of shares being repurchased – 39,249,255 (100% of placed preference shares);
- Price of one share is KZT 300 (three hundred) per share, which has been determined in accordance with the methodology of determination of a share price of Bank CenterCredit JSC in case of share repurchase by the Bank, which was approved by the general meeting of shareholders on 26 May 2006;
- Deadline for submission of applications and repurchase of shares is 14 March 2018, inclusive.

As at 14 March 2018, the procedure of repurchase of the Bank's preference shares was completed: 39,044,841 preference shares were repurchased, including 8,366,560 preference shares repurchased from JSC Tsesnabank and 27,067,109 preference shares repurchased from JSC Tsesna Financial Holding.

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On 14 March 2018, a block of the Bank's ordinary shares owned by JSC Tsesnabank comprising 29.56% of total number of ordinary shares placed by the Bank, was sold to major participants of JSC Bank CenterCredit: Mr. Bakhytбек Rymbekovich Baiseitov, Mr. Vladislav Sedinovich Lee and a group of individuals (minority shareholders). Based on the results of the transaction, the shares of Mr. Bakhytбек Rymbekovich Baiseitov and Mr. Vladislav Sedinovich Lee amounted to 48.07% and 10.05% of the total number of ordinary shares placed by the Bank, respectively.

The consolidated financial statements were authorised for issue by the Management Board of JSC Bank CenterCredit on August 10, 2018.

2. BASIS OF PREPARATION

Fundamental accounting principles

(a) Statement of compliance

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

The Bank also prepared the consolidated financial statements for the year ended 31 December 2017 in accordance with the IFRS, which can be obtained at the Bank's registered office.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale financial assets are stated at fair value, buildings and constructions are measured at fair value, which increase is stated in the revaluation property reserve.

(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 financial statements.

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

(r) IFRS 9 "Financial Instruments"

The Bank has applied IFRS 9 in its consolidated financial statements for the six months ended 30 June 2018.

Based on the results of assessment, the total effect (net of tax) from the adoption of IFRS 9 is stated in the opening balance of the Bank's equity at 1 January 2018 as equal to KZT 20,6 billion, including:

- decrease by KZT 17 billion related to application of the impairment-related requirements;
- decrease by KZT 3 billion related to application of requirements related to modified assets other than impairment-related requirements;
- increase by KZT 600 million related to recognition of the effect of deferred assets and increase in the current income tax by KZT 3,4 billion.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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3. NET INTEREST INCOME

| | For six months ended 30 June 2018 (unaudited) | For six months ended 30 June 2017 (unaudited) |
|---|--|--|
| Interest income: | | |
| Interest income on financial assets recorded at amortised cost: | | |
| - interest income on unimpaired financial assets | 40,882 | 36,356 |
| - interest income on impaired financial assets | 7,269 | 11,051 |
| Interest income on financial assets recorded at fair value through profit or loss | 6,250 | 5,360 |
| Total interest income | 54,401 | 52,767 |
| Interest income on financial assets recorded at amortised cost comprises: | | |
| Interest on loans to customers and banks | 43,702 | 46,154 |
| Interest on investments held to maturity | 3,689 | 504 |
| Interest on due from banks | 462 | 360 |
| Penalties on loans to customers and banks | 299 | 389 |
| Total interest income on financial assets recorded at amortised cost | 48,152 | 47,407 |
| Interest income on financial assets recorded at fair value: | | |
| Interest on investments available-for-sale | 5,470 | 4,775 |
| Interest on investments initially recorded at fair value through profit or loss | 779 | 585 |
| Total interest income on financial assets recorded at fair value | 6,249 | 5,360 |
| Total interest income | 54,401 | 52,767 |
| Interest expense: | | |
| Interest expense on financial liabilities recorded at amortised cost | (36,282) | (32,480) |
| Total interest expense | (36,282) | (32,480) |
| Interest expense on financial liabilities recorded at amortised cost: | | |
| Interest on customer and bank accounts | (22,687) | (24,594) |
| Interest on due to banks and financial institutions | (4,180) | (1,450) |
| Interest on subordinated bonds | (4,083) | (3,506) |
| Interest on debt securities issued | (5,332) | (2,930) |
| Total interest expense on financial liabilities recorded at amortised cost | (36,282) | (32,480) |
| Net interest income before provisions for impairment losses on interest-bearing financial assets | 18,119 | 20,287 |

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4. PROVISION FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in provision for impairment losses on interest-bearing assets are as follows:

| | Corporate loans | Small and medium-sized enterprises | Mortgage loans | Consumer loans | Car loans | Business development | Loans to banks | Total |
|---|--------------------|--|----------------|-------------------|-----------|-------------------------|----------------------|----------|
| 31 December 2016 | 77,955 | 2,191 | 2,585 | 4,140 | 32 | 6,551 | 13 | 93,467 |
| Charge/recovery of allowance | 10,954 | 871 | 3,320 | 3,478 | 56 | (1,363) | (1) | 17,315 |
| Recovery of assets previously written-off | - | 289 | 388 | 331 | - | 127 | - | 1,135 |
| Foreign exchange difference | (1,257) | 76 | 90 | 146 | - | 231 | - | (714) |
| Write-off of assets | (755) | (96) | (937) | (993) | (7) | (308) | - | (3,096) |
| Unwinding of discount * | (5,464) | (537) | (1,321) | (1,725) | (23) | (1,007) | - | (10,077) |
| 30 June 2017 | 81,433 | 2,794 | 4,125 | 5,377 | 58 | 4,231 | 12 | 98,030 |
| 31 December 2017 | 95,177 | 2,757 | 4,450 | 6,892 | 60 | 4,515 | - | 113,851 |
| Charge/recovery of allowance | 10,169 | (320) | 1,040 | 1,231 | 2 | 1,169 | - | 13,291 |
| Recovery of assets previously written-off | 134 | 19 | 443 | 248 | 5 | 34 | - | 883 |
| Foreign exchange difference | (826) | (24) | (39) | (60) | (2) | (40) | - | (991) |
| Write-off of assets | (41,919) | (99) | (414) | (1,265) | - | (74) | - | (43,771) |
| Unwinding of discount* | (4,410) | (66) | (536) | (388) | (5) | (317) | - | (5,722) |
| Amount of additional provisions created upon transition to IFRS 9 | 13,275 | 283 | 2,177 | 526 | 39 | 609 | - | 16,909 |
| 30 June 2018 | 71,600 | 2,550 | 7,121 | 7,184 | 99 | 5,896 | - | 94,450 |

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5. NET GAIN/LOSS ON OPERATIONS WITH FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | For six months ended 30 June 2018 (unaudited) | For six months ended 30 June 2017 (unaudited) |
|---|--|--|
| Net gain/loss on financial assets and liabilities at fair value through profit or loss: | | |
| Unrealised (loss)/gain from change in fair value of trading financial assets | 483 | 573 |
| Realised gain/(loss) on trading operations | 222 | 49 |
| Realised (loss)/gain on operations with derivative financial instruments | 614 | (1,708) |
| Realised gain/(loss) on operations with derivative financial instruments | (6) | (1,547) |
| Total net gain/loss on operations with financial assets and liabilities at fair value through profit or loss | 1,313 | (2,633) |

6. NET GAIN/LOSS ON FOREIGN EXCHANGE OPERATIONS

| | For six months ended 30 June 2018 (unaudited) | For six months ended 30 June 2017 (unaudited) |
|--|--|--|
| Dealing, net | 2,891 | 2,272 |
| Translation differences, net | (300) | 3,162 |
| Total net gain on foreign exchange operations | 2,591 | 5,434 |

7. FEE AND COMMISSION INCOME

| | For six months ended 30 June 2018 (unaudited) | For six months ended 30 June 2017 (unaudited) |
|--|--|--|
| Fee and commission income : | | |
| Settlements | 3,020 | 2,940 |
| Payment cards | 3,336 | 2,616 |
| Cash operations | 2,140 | 2,218 |
| Guarantees issued | 2,037 | 1,462 |
| Foreign exchange operations | 2 | 542 |
| Internet-banking services | 57 | 338 |
| Custodian activities | 124 | 115 |
| Documentary operations | 73 | 53 |
| Trust operations | 10 | 15 |
| Other | 388 | 301 |
| Total fee and commission income | 11,187 | 10,600 |

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8. OPERATING EXPENSES

| | For six months ended 30 June 2018 (unaudited) | For six months ended 30 June 2017 (unaudited) |
|----------------------------------|--|--|
| Wages and salaries | (7,001) | (5,895) |
| Taxes (other than income tax) | (1,583) | (1,353) |
| Depreciation and amortisation | (1,252) | (1,289) |
| Operating leases | (1,244) | (877) |
| Administrative expenses | (1,242) | (1,145) |
| Deposit Insurance Fund | (1,115) | (1,091) |
| Security and alarm expenses | (422) | (356) |
| Telecommunications | (286) | (253) |
| Equipment repair and maintenance | (239) | (460) |
| Collection expenses | (209) | (288) |
| Business trip expenses | (151) | (124) |
| Professional services | (76) | (108) |
| Advertising costs | (82) | (41) |
| Representation costs | (16) | (21) |
| Other expenses | (322) | (273) |
| | <u>(15,240)</u> | <u>(13,574)</u> |
| Total operating expenses | (15,240) | (13,574) |

9. OTHER INCOME / (EXPENSE)

| | For six months ended 30 June 2018 (unaudited) | For six months ended 30 June 2017 (unaudited) |
|-------------------------------------|--|--|
| Net income from sale of inventories | 40 | 148 |
| Other | 3,590 | 239 |
| Total other income/expense | 3,630 | 387 |

Due to transition to IFRS 9, starting from 01 January 2018 amounts of income and expenses related to loan modifications are reflected on accounts of other income/(expense).

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10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to equity holders of the Parent Bank by the weighted average number of ordinary shares during the period.

| | For six months ended 30 June 2018 | For six months ended 30 June 2017 года |
|--|--|---|
| Basic earnings per share | | |
| Net profit attributable to shareholders of the Bank | 5,085 | 2,038 |
| Less: profit from discontinued operations used in calculation of basic earnings per share from discontinued operations | - | - |
| Less: additional dividends payable upon full distributions of profit to the preferred share holders | (6) | (397) |
| Net earnings attributable to ordinary shareholders | 5,079 | 1,641 |
| Weighted average number of ordinary shares for purposes of basic earnings per share | 161,231,784 | 162,000,514 |
| Basic earnings per share (KZT) | 31.50 | 10.13 |
| Diluted earnings per share | | |
| Net earnings attributable to ordinary shareholders | 5,079 | 1,641 |
| Add: additional dividends payable upon full distributions of profit to the preferred share holders | 6 | 397 |
| Earnings used in calculation of diluted earnings per share | 5,085 | 2,038 |
| Weighted average number of ordinary shares | 161,231,784 | 162,000,514 |
| Shares deemed to be issued: | | |
| Weighted average number of ordinary shares that would be issued for the convertible preferred shares | 204,414 | 39,249,255 |
| Weighted average number of ordinary shares for purposes of calculation of diluted earnings per share | 161,436,198 | 201,249,769 |
| Diluted earnings per share (KZT) | 31.50 | 10.13 |

The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share provided by KASE.

The book value of one share per each class of shares as at 30 June 2018 and 2017 is as follows:

| Class of shares | 30 June 2018 | | | 31 December 2017 | | |
|-------------------|--|---|------------------------------------|--|---|------------------------------------|
| | Outstanding shares (number of shares) | Amount for calculation of book value KZT million | Book value of one share, KZT | Outstanding shares (number of shares) | Amount for calculation of book value KZT million | Book value of one share, KZT |
| Ordinary shares | 161,275,581 | 99,871 | 619 | 161,003,835 | 112,642 | 700 |
| Preference shares | 204,414 | 61 | 298 | 39,249,255 | 11,775 | 300 |
| | | <u>99,932</u> | | | <u>124,417</u> | |

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at the reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at the reporting date.

The management of the Group believes that the Group fully complies with the requirement of KASE as at the reporting date.

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11. CASH AND CASH EQUIVALENTS

| | 30 June 2018 | 31 December 2017 |
|--|-------------------------|-----------------------------|
| Cash on hand | <u>43,064</u> | <u>33,159</u> |
| Nostro accounts with NBRK | <u>80,066</u> | <u>127,720</u> |
| Nostro accounts with other banks | | |
| - rated AA- to AA+ | 371 | 6,314 |
| - rated A- to A+ | 2,040 | 8,426 |
| - rated BBB- to BBB+ | 584 | 3,506 |
| - rated BB- to BB+ | 981 | 1,077 |
| - rated B- to B+ | 48 | 188 |
| - not rated | 177 | 650 |
| Total Nostro accounts with other banks | <u>4,201</u> | <u>20,161</u> |
| Term deposits with other banks | | |
| - rated A- to A+ | 3 | - |
| - rated BB- to BB+ | 2,177 | 3,323 |
| - rated B- to B+ | 10,925 | 3,693 |
| Total current accounts and term deposits with other banks | <u>13,105</u> | <u>7,016</u> |
| Total cash and cash equivalents | <u>140,436</u> | <u>188,056</u> |

The credit ratings are presented by reference to the credit ratings of Standard & Poor's ratings agency or analogues of similar international rating agencies.

No cash and cash equivalents are impaired or past due as at 30 June 2018 and 31 December 2017.

Minimum reserve requirements

As at 30 June 2018, minimum reserve requirements are calculated in accordance with regulations issued by the NBRK. To meet the requirements the Bank places cash in reserve assets, which should be maintained at the level not less than average of cash on hand in the national currency and balances on current account with the NBRK in the national currency for a 4-week period, calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Bank's liabilities. As at 30 June 2018, the minimum reserve requirements amounted to KZT 12,419 million (31 December 2017: KZT 11,599 million), and reserve asset amounted to KZT 26,255 million (31 December 2017: KZT 23,932 million).

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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

| | Nominal interest rate, % | 30 June 2018 | Nominal interest rate, % | 31 December 2017 |
|---|-----------------------------|--------------|--------------------------------|---------------------|
| ASSETS | | | | |
| Derivative financial instruments | | | | |
| Foreign currency contracts | - | 20,736 | - | 19,495 |
| | | 20,736 | - | 19,495 |
| Trading securities | | | | |
| <i>Debt securities</i> | | | | |
| Government bonds of the Republic of Kazakhstan | 5.60-6.00 | 6,302 | 3.87-9.70 | 3,558 |
| Corporate bonds | 7.50 | 10,656 | 4.63-15.00 | 9,880 |
| Discounted notes | | 660 | | |
| <i>Equity securities*</i> | | | | |
| Shares of Kazakhstan corporations | | 765 | | 637 |
| Shares of International corporations | | 21 | | 22 |
| | | 18,404 | | 14,097 |
| | | 39,140 | | 33,592 |
| LIABILITIES | | | | |
| Derivative financial instruments | | | | |
| Foreign currency contracts | - | (9,728) | - | (9,199) |
| | | (9,728) | | (9,199) |

The credit quality of debt securities at fair value through profit or loss balances may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 30 June 2018:

| | Corporate bonds | Discounted notes | Government bonds of the Republic of Kazakhstan | Total |
|---------------------------|-----------------|------------------|---|--------|
| NBRK | - | 660 | - | 660 |
| - rated from AAA- to AAA+ | 30 | - | - | 30 |
| - rated from BBB- to BBB+ | - | - | 6,302 | 6,302 |
| - rated from BB- to BB+ | 1,734 | - | - | 1,734 |
| - rated from B- to B+ | 8,892 | - | - | 8,892 |
| | 10,656 | 660 | 6,302 | 16,501 |

The credit quality of debt securities at fair value through profit or loss balances may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 31 December 2017:

| | Corporate bonds | Government bonds of the Republic of Kazakhstan | Total |
|---------------------------|-----------------|--|--------|
| - rated from BBB- to BBB+ | 479 | 3,558 | 4,037 |
| - rated from BB- to BB+ | 1,332 | - | 1,332 |
| - rated from B- to B+ | 8,069 | - | 8,069 |
| | 9,880 | 3,558 | 13,438 |

None of the financial assets at fair value through profit and loss are past due.

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13. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Nominal interest rate, % | 30 June 2018 | Nominal interest rate, % | 31 December 2017 |
|---|--------------------------------|-----------------|-----------------------------|---------------------|
| <i>Debt securities</i> | | | | |
| Government bonds of the Republic of Kazakhstan | 3.88-10.20 | 23,278 | 3.87-11.00 | 31,840 |
| Corporate bonds | 3.88-11.50 | 64,832 | 3.88-11.00 | 48,958 |
| Discounted NBRK notes | - | 76,860 | - | 65,393 |
| <i>Equity securities</i> | | | | |
| Shares of Kazakhstan corporations | - | 5,418 | - | 131 |
| Shares of International corporation | - | 20 | - | 20 |
| Pledged under sale and repurchase agreements | | | | |
| - Government bonds of the Republic of Kazakhstan | 8.16-8.50 | 12,094 | 4.00-8.99 | 3,793 |
| | | <u>182,502</u> | | <u>150,135</u> |

The credit quality of debt securities at fair value through other comprehensive income may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 30 June 2018:

| | Corporate bonds | Discounted NBRK bonds | Government bonds of the Republic of Kazakhstan | Total |
|---------------------------|-----------------|--------------------------|---|----------------|
| <i>Not overdue</i> | | | | |
| - NBRK | - | 76,860 | - | 76,860 |
| - rated from BBB- to BBB+ | 12,676 | - | 35,372 | 48,048 |
| - rated from BB- to BB+ | 52,156 | - | - | 52,156 |
| | <u>64,832</u> | <u>76,860</u> | <u>23,278</u> | <u>177,064</u> |

The credit quality of debt securities at fair value through other comprehensive income may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 31 December 2017:

| | Corporate bonds | Discounted NBRK bonds | Government bonds of the Republic of Kazakhstan | Total |
|---------------------------|-----------------|--------------------------|--|----------------|
| <i>Not overdue</i> | | | | |
| - NBRK | - | 65,393 | - | 65,393 |
| - rated from BBB- to BBB+ | 7,313 | - | 35,633 | 42,946 |
| - rated from BB- to BB+ | 38,303 | - | - | 38,303 |
| - rated from B- to B+ | 3,342 | - | - | 3,342 |
| | <u>48,958</u> | <u>65,393</u> | <u>35,633</u> | <u>149,984</u> |

No investments at fair value through other comprehensive income are overdue or impaired.

14. INVESTMENTS CONSIDERED ACCORDING TO THE AMORTIZED COST

| | Nominal interest rate, % | 30 June 2018 | Nominal interest rate, % | 31 December 2017 |
|---|--------------------------------|-----------------|-----------------------------|---------------------|
| <i>Debt securities</i> | | | | |
| Government bonds of the Republic of Kazakhstan | 5.60-6.70 | 5,949 | - | - |
| Corporate bonds | 7.50-8.00 | 4,426 | - | - |
| | | <u>10,375</u> | | <u>-</u> |

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The credit quality of debt securities at amortised cost may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 30 June 2018:

| | Corporate bonds | Government bonds of the Republic of Kazakhstan | Total |
|---------------------------|-----------------|--|---------------|
| <i>Not overdue</i> | | | |
| - rated from BBB- to BBB+ | - | 5,949 | 5,949 |
| - rated from BB- to BB+ | 963 | - | 963 |
| - rated from B- to B+ | 3,463 | - | 3,463 |
| | 4,426 | 5,949 | 10,375 |

15. DUE FROM BANKS

| | 30 June 2018 | 31 December 2017 |
|-----------------------------|---------------|------------------|
| Term deposits | | |
| - current account with NBRK | 1,994 | 1,275 |
| - rated from A- to A+ | - | 1,656 |
| - rated from BBB- to BBB+ | - | - |
| - rated from BB- to BB+ | 901 | 1,526 |
| - rated from B- to B+ | 28,789 | 8,638 |
| - not rated | 1,715 | 45 |
| Total term deposits | 33,399 | 13,140 |

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

As at 30 June 2018, a current account with the NBRK consists of funds of KZT 1,474 million (31 December 2017: KZT 717 million) received from the Development Bank of Kazakhstan JSC ("DBK JSC") and KZT 519 million (31 December 2017: KZT 558 million) received from DAMU Entrepreneurship Development Fund JSC ("EDF DAMU JSC") in accordance with the loan agreements with DBK JSC and EDF DAMU JSC. Funds will be distributed to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK JSC and EDF DAMU JSC, respectively.

16. LOANS TO CUSTOMERS AND BANKS

| | 30 June 2018 | 31 December 2017 |
|--|----------------|------------------|
| Loans to customers | 919,925 | 890,230 |
| Net investment in finance lease | - | 4,156 |
| Accrued interest | 32,876 | 36,270 |
| | 952,801 | 930,656 |
| Less: impairment allowance | (94,450) | (113,851) |
| Total loans to consumers | 858,351 | 816,805 |
| Loans to banks | 8 | 3 |
| Accrued interest | - | - |
| | 8 | 3 |
| Less: impairment allowance | - | - |
| Total loans to banks | 8 | 3 |
| Loans under reverse repurchase agreements | 31,412 | 14,443 |
| Total loans to consumers and banks | 889,771 | 831,251 |

Movement in impairment allowance for loans to customers and banks for six months ended 30 June 2018 and 30 June 2017 is disclosed in Note 4.

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The following table provides information by types of loan products as at 30 June 2018:

| | <u>Gross amount</u> | <u>Impairment allowance</u> | <u>Carrying amount</u> |
|-------------------------------------|---------------------|-----------------------------|------------------------|
| Loans to corporate customers | | | |
| Corporate loans | 534,771 | (71,600) | 463,171 |
| Small and medium-sized enterprises | 50,500 | (2,550) | 47,950 |
| Net investment in finance lease | - | - | - |
| Loans to retail customers | | | |
| Mortgage loans | 154,777 | (7,121) | 147,656 |
| Consumer loans | 117,079 | (7,184) | 109,895 |
| Business development | 89,328 | (5,896) | 83,432 |
| Car loans | 6,346 | (99) | 6,247 |
| | <u>952,801</u> | <u>(94,450)</u> | <u>858,351</u> |

The following table provides information by types of loan products as at 31 December 2017:

| | <u>Gross amount</u> | <u>Impairment allowance</u> | <u>Carrying amount</u> |
|-------------------------------------|---------------------|-----------------------------|------------------------|
| Loans to corporate customers | | | |
| Corporate loans | 511,156 | (95,177) | 415,979 |
| Small and medium-sized enterprises | 65,368 | (2,757) | 62,611 |
| Net investment in finance lease | 4,156 | - | 4,156 |
| Loans to retail customers | | | |
| Mortgage loans | 146,468 | (4,450) | 142,018 |
| Consumer loans | 113,905 | (6,892) | 107,013 |
| Business development | 84,533 | (4,515) | 80,018 |
| Car loans | 5,070 | (60) | 5,010 |
| | <u>930,656</u> | <u>(113,851)</u> | <u>816,805</u> |

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Credit quality of corporate loans and loans to small and medium-sized enterprises

Analysis by credit quality of corporate loans and loans to small and medium-sized enterprises outstanding as at 30 June 2018 and 31 December 2017 was as follows:

| | 30 June 2018 | 31 December 2017 |
|--|-----------------|---------------------|
| Loans to corporate customers | | |
| Corporate loans | | |
| Individually unimpaired loans assessed on a collective basis | | |
| Not overdue loans | 333,856 | 268,917 |
| Overdue: | | |
| - overdue less than 30 days | 11,646 | 4,181 |
| - overdue 31-60 days | 6,219 | - |
| - overdue 61-90 days | - | - |
| Total individually unimpaired loans assessed on a collective basis | <u>351,721</u> | <u>273,098</u> |
| Impaired loans measured on a collective basis | | |
| Not overdue loans | - | 8,835 |
| Total impaired loans assessed on a collective basis | <u>-</u> | <u>8,835</u> |
| Individually impaired loans: | | |
| Not overdue | 76,377 | 139,074 |
| Overdue: | | |
| - overdue less than 30 days | 50,976 | 42,180 |
| - overdue 31-60 days | 22,655 | 9,113 |
| - overdue 61-90 days | 9,028 | 516 |
| - overdue 91-180 days | 2,447 | 14,247 |
| - overdue more than 180 days | 21,567 | 24,093 |
| Total individually impaired loans | <u>183,050</u> | <u>229,223</u> |
| Total corporate loans | <u>534,771</u> | <u>511,156</u> |
| Impairment allowance for corporate loans | <u>(71,600)</u> | <u>(95,177)</u> |
| Net corporate loans | <u>463,171</u> | <u>415,979</u> |
| Small and medium-sized enterprises | | |
| Individually unimpaired loans assessed on a collective basis: | | |
| Not overdue | 36,231 | 49,360 |
| Overdue: | | |
| - overdue less than 30 days | 818 | 1,775 |
| - overdue 31-60 days | 307 | 491 |
| - overdue 61-90 days | 134 | 1,017 |
| - overdue 91-180 days | - | 728 |
| - overdue more than 180 days | - | 462 |
| Total individually unimpaired loans assessed on a collective basis | <u>37,490</u> | <u>53,833</u> |
| Impaired loans assessed on a collective basis | | |
| Not overdue | 3,561 | 3,626 |
| Overdue: | | |
| - overdue less than 30 days | 1,116 | 1,851 |
| - overdue 31-60 days | 670 | 128 |
| - overdue 61-90 days | 312 | 522 |
| - overdue 91-180 days | 1,707 | 1,336 |
| - overdue more than 180 days | 5,644 | 4,072 |
| Total impaired loans assessed on a collective basis | <u>13,010</u> | <u>11,535</u> |
| Total small and medium-sized enterprises | <u>50,500</u> | <u>65,368</u> |
| Impairment allowance for loans to small and medium-sized enterprises | <u>(2,550)</u> | <u>(2,757)</u> |
| Net loans to small and medium-sized enterprises | <u>47,950</u> | <u>62,611</u> |
| Total corporate loans and loans to small and medium-sized enterprises | <u>585,271</u> | <u>576,524</u> |
| Total impairment allowance for corporate loans and loans to small and medium-sized enterprises | <u>(74,150)</u> | <u>(97,934)</u> |
| Total net corporate loans and loans to small and medium-sized enterprises | <u>511,121</u> | <u>478,590</u> |

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Analysis by credit quality of loans to retail customers outstanding as at 30 June 2018 and 31 December 2017 was as follows:

| | 30 июня 2018 года | 31 декабря 2017 года |
|---|----------------------|-------------------------|
| Loans to retail customers | | |
| Mortgage loans | | |
| Individually unimpaired loans assessed on a collective basis: | | |
| Not overdue: | 116,248 | 106,549 |
| Overdue: | | |
| - overdue less than 30 days | 4,790 | 6,014 |
| - overdue 31-60 days | 1,199 | 2,243 |
| - overdue 61-90 days | 1,457 | 894 |
| - overdue 91-180 days | 38 | 821 |
| - overdue more than 180 days | - | - |
| Total individually unimpaired loans assessed on a collective basis | 123,732 | 116,521 |
| Impaired loans assessed on a collective basis | | |
| Not overdue: | 4,555 | 6,825 |
| Overdue: | | |
| - overdue less than 30 days | 3,492 | 4,481 |
| - overdue 31-60 days | 1,279 | 859 |
| - overdue 61-90 days | 590 | 1,592 |
| - overdue 91-180 days | 6,297 | 1,129 |
| - overdue more than 180 days | 11,133 | 11,673 |
| Total impaired loans assessed on a collective basis | 27,346 | 26,559 |
| Individually impaired loans | | |
| Overdue: | | |
| - overdue less than 30 days | - | 2,011 |
| - overdue 31-60 days | - | - |
| - overdue 61-90 days | - | 749 |
| - overdue 91-180 days | 325 | - |
| - overdue more than 180 days | 3,374 | 628 |
| Total individually impaired loans | 3,699 | 3,388 |
| Total mortgage loans | 154,777 | 146,468 |
| Impairment allowance for mortgage loans | (7,121) | (4,450) |
| Mortgage loans, net | 147,656 | 142,018 |
| Consumer loans | | |
| Individually unimpaired loans assessed on a collective basis: | | |
| Not overdue: | 80,102 | 74,545 |
| Overdue: | | |
| - overdue less than 30 days | 4,275 | 4,806 |
| - overdue 31-60 days | 1,401 | 868 |
| - overdue 61-90 days | 797 | 861 |
| - overdue 91-180 days | - | 1,621 |
| - overdue more than 180 days | - | - |
| Total individually unimpaired loans assessed on a collective basis | 86,575 | 82,701 |
| Impaired loans assessed on a collective basis | | |
| Not overdue | 3,193 | 3,898 |
| Overdue: | | |
| - overdue less than 30 days | 3,684 | 2,705 |
| - overdue 31-60 days | 477 | 304 |
| - overdue 61-90 days | 661 | 1,181 |
| - overdue 91-180 days | 2,584 | 2,145 |
| - overdue more than 180 days | 15,594 | 15,681 |
| Total impaired loans assessed on a collective basis | 26,193 | 25,914 |
| Individually impaired loans | | |
| Overdue: | | |
| - overdue less than 30 days | - | 576 |
| - overdue 31-60 days | - | - |
| - overdue 61-90 days | - | 2,085 |
| - overdue 91-180 days | 294 | - |
| - overdue more than 180 days | 4,017 | 2,629 |
| Total individually impaired loans | 4,311 | 5,290 |
| Total consumer loans | 117,079 | 113,905 |
| Impairment allowance for consumer loans | (7,184) | (6,892) |
| Consumer loans, net | 109,895 | 107,013 |

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| | 30 June 2018 | 31 December 2017 |
|--|-----------------|---------------------|
| Loans to individuals, continued | | |
| Business development | | |
| Individually unimpaired loans assessed on a collective basis: | | |
| Not overdue loans | 64,523 | 59,952 |
| Overdue loans | | |
| - overdue less than 30 days | 2,503 | 1,420 |
| - overdue 31-60 days | 685 | 814 |
| - overdue 61-90 days | 1,495 | 1,162 |
| - overdue 91-180 days | - | 1,406 |
| - overdue more than 180 days | 8 | 29 |
| Total individually unimpaired loans assessed on a collective basis | <u>69,214</u> | <u>64,783</u> |
| Impaired loans assessed on a collective basis | | |
| Not overdue | 1,198 | 2,413 |
| Overdue: | | |
| - overdue less than 30 days | 11 | 850 |
| - overdue 31-60 days | 52 | 88 |
| - overdue 61-90 days | 4 | 621 |
| - overdue 91-180 days | 2,493 | 2,077 |
| - overdue more than 180 days | 14,199 | 11,474 |
| Total impaired loans assessed on a collective basis | <u>17,957</u> | <u>17,523</u> |
| Individually impaired loans | | |
| Not overdue | - | - |
| Overdue: | | |
| - overdue 31-60 days | 305 | 338 |
| - overdue 61-90 days | - | 1,075 |
| - overdue 91-180 days | 1,852 | - |
| - overdue more than 180 days | - | 814 |
| Total individually impaired loans | <u>2,157</u> | <u>2,227</u> |
| Total for business development | 89,328 | 84,533 |
| Impairment allowance on loans for business development | (5,896) | (4,515) |
| Net business development | 83,432 | 80,018 |
| Car loans | | |
| Individually unimpaired loans assessed on a collective basis: | | |
| Not overdue | 5,957 | 4,624 |
| Overdue: | | |
| - overdue less than 30 days | 48 | 48 |
| - overdue 31-60 days | 10 | 29 |
| - overdue 61-90 days | - | - |
| - overdue 91-180 days | - | 23 |
| - overdue more than 180 days | - | - |
| Total individually unimpaired loans assessed on a collective basis | <u>6,015</u> | <u>4,724</u> |
| Impaired loans assessed on a collective basis | | |
| Not overdue | 6 | 5 |
| Overdue: | | |
| - overdue less than 30 days | 23 | 1 |
| - overdue 31-60 days | - | 9 |
| - overdue 61-90 days | 1 | 4 |
| - overdue 91-180 days | 14 | 5 |
| - overdue more than 180 days | 287 | 322 |
| Total impaired loans assessed on a collective basis | <u>331</u> | <u>346</u> |
| Total car loans | 6,346 | 5,070 |
| Impairment allowance on car loans | (99) | (60) |
| Net car loans | 6,247 | 5,010 |
| Total loans to individuals | 367,530 | 349,976 |
| Total impairment allowance on loans to individuals | (20,300) | (15,917) |
| Total loans to individuals, net | 347,230 | 334,059 |
| Total loans to corporate customers, loans to small and medium-sized companies, loans to individuals | 952,801 | 926,500 |
| Total impairment allowance on loans to corporate customers, loans to small and medium-sized companies, loans to individuals | (94,450) | (113,851) |
| Total loans to corporate customers, loans to small- and medium-sized companies, loans to individuals, net of impairment allowance | 858,351 | 812,649 |

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Analysis of collateral and other credit enhancements

Loans to corporate customers

Loans to corporate customers are subject to individual and collective credit appraisal and impairment testing. The general creditworthiness of a corporate customer and small and medium-sized customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers and small and medium-sized customers 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 June 2018 | Loans to customers, carrying amount | Fair value of collateral: for collateral assessed as of reporting date | Fair value of collateral: for collateral assessed as of loan inception date | Fair value of collateral not determined |
|---|---|--|--|---|
| Unimpaired and collectively impaired loans | | | | |
| Cash and deposits | 10,492 | 10,492 | - | - |
| Traded securities | - | - | - | - |
| Real estate | 282,327 | 282,327 | - | - |
| Motor vehicles | 1,440 | 1,440 | - | - |
| Equipment | 11,115 | 11,115 | - | - |
| Corporate guarantees | 40,196 | - | - | 40,196 |
| Income from future contracts | 20,012 | - | - | 20,012 |
| Goods in turnover | 6,024 | - | 6,024 | - |
| Other collateral | 6,526 | - | 6,526 | - |
| No collateral or other credit enhancement | 22,004 | - | - | 22,004 |
| Total unimpaired loans | 400,136 | 305,374 | 12,550 | 82,212 |
| Individually impaired loans | | | | |
| Cash and deposits | 1 | 1 | - | - |
| Traded securities | - | - | - | - |
| Real estate | 79,269 | 79,269 | - | - |
| Motor vehicles | 417 | 417 | - | - |
| Equipment | 836 | 836 | - | - |
| Corporate guarantees | 9,267 | - | - | 9,267 |
| Goods in turnover | 262 | - | 262 | - |
| Other collateral | 6,568 | - | 6,568 | - |
| No collateral or other credit enhancement | 14,365 | - | - | 14,365 |
| Total impaired loans | 110,985 | 80,523 | 6,830 | 23,632 |
| Total loans to corporate customers | 511,121 | 385,897 | 19,380 | 105,844 |

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Analysis of collateral and other credit enhancements, continued

Loans to corporate customers, continued

| 31 December 2017 | Loans to customers, carrying amount | Fair value of collateral: for collateral assessed as of reporting date | Fair value of collateral: for collateral assessed as of loan inception date | Fair value of collateral not determined |
|---|---|--|--|---|
| Unimpaired and collectively impaired loans | | | | |
| Cash and deposits | 3,424 | 3,424 | - | - |
| Traded securities | 6,875 | 6,875 | - | - |
| Real estate | 257,228 | 257,228 | - | - |
| Motor vehicles | 1,113 | 1,113 | - | - |
| Equipment | 3,706 | 3,706 | - | - |
| Corporate guarantees | 32,441 | - | - | 32,441 |
| Income from future contracts | 23,288 | - | - | 23,288 |
| Goods in turnover | 6,921 | - | 6,921 | - |
| Other collateral | 1,566 | - | - | 1,566 |
| No collateral or other credit enhancement | 7,982 | - | - | 7,982 |
| Total unimpaired loans | 344,544 | 272,346 | 6,921 | 65,277 |
| Individually impaired loans | | | | |
| Cash and deposits | 74 | 74 | - | - |
| Traded securities | 215 | 215 | - | - |
| Real estate | 95,444 | 95,444 | - | - |
| Motor vehicles | 415 | 415 | - | - |
| Equipment | 2,508 | 2,508 | - | - |
| Corporate guarantees | 11,598 | - | - | 11,598 |
| Goods in turnover | 741 | - | 741 | - |
| Mineral rights | 7,284 | 7,284 | - | - |
| Other collateral | 1,140 | - | 1,140 | - |
| No collateral or other credit enhancement | 14,627 | - | - | 14,627 |
| Total impaired loans | 134,046 | 105,940 | 1,881 | 26,225 |
| Total loans to corporate customers | 478,590 | 378,286 | 8,802 | 91,502 |

The tables above exclude overcollateralisation. In accordance with the recommendations of NBRK future contract revenues are not considered as sufficient collateral for loan impairment allowance calculation. As at 30 June 2018, the loans to corporate customers with net carrying amount of KZT 20,012 million (31 December 2017: KZT 23,288 million) are secured by income from future contracts.

Amount recorded in the item "No collateral or other credit enhancement" comprises unsecured loans and parts of loans, which are not fully secured.

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

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(d) Loan portfolio analysis

As at 30 June 2018, the Bank has 11 borrowers or groups of connected borrowers (31 December 2017: 6), whose loan balances exceed 10% of equity. The gross value of these loans as at 30 June 2018 is KZT 196,285 million (31 December 2017: KZT 114,175 million).

As at 31 December 2017, the Bank had a finance lease agreement as a lessor. As at 30 June 2018, the finance lease agreement was repaid.

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

| | 30 June 2018 | 31 December 2017 |
|---|-----------------|---------------------|
| Individuals | 367,530 | 349,976 |
| Trade | 119,872 | 141,129 |
| Rent of real estate | 80,881 | 81,539 |
| Financial services | 49,465 | 49,946 |
| Transport and telecommunications | 38,862 | 21,159 |
| Energy | 38,745 | 60,252 |
| Transportation and equipment maintenance services | 35,473 | 35,095 |
| Production | 35,089 | 32,730 |
| Housing construction | 32,109 | 32,571 |
| Industrial construction | 30,732 | 29,397 |
| Food industry | 22,260 | 24,702 |
| Agriculture | 18,649 | 17,932 |
| Oil and gas industry | 16,861 | 5,526 |
| Other | 66,273 | 48,702 |
| Total | 952,801 | 930,656 |
| Impairment allowance | (94,450) | (113,851) |
| | 858,351 | 816,805 |

Fair value of assets received as collateral and carrying amount of reverse repurchase agreements as at 30 June 2018 and 31 December 2017 was as follows:

| | 30 June 2018 | | 31 December 2017 | |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| | Loan carrying amount | Collateral fair value | Loan carrying amount | Collateral fair value |
| Government bonds of the Republic of Kazakhstan | - | - | 11,006 | 11,169 |
| Other | 31,412 | 35,691 | 3,437 | 4,352 |
| | <u>31,412</u> | <u>35,691</u> | <u>14,443</u> | <u>15,521</u> |

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17. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

| | Buildings and constructions | Furniture and equipment | Construction in progress | Intangible assets | Total |
|--|------------------------------------|--------------------------------|---------------------------------|--------------------------|--------------|
| Cost/revalued amount | | | | | |
| 1 January 2017 | 31,086 | 13,602 | 53 | 6,441 | 51,182 |
| Additions | 175 | 1,337 | 68 | 2,988 | 4,568 |
| Transfers | - | 16 | (16) | - | - |
| Disposals | (251) | (963) | - | (90) | (1,304) |
| 31 December 2017 | 31,010 | 13,992 | 105 | 9,339 | 54,446 |
| Additions | - | 978 | 19 | 193 | 1,190 |
| Disposals | (9,841) | (1,376) | - | (224) | (11,441) |
| 30 June 2018 | 21,169 | 13,594 | 124 | 9,308 | 44,195 |
| Accumulated depreciation, amortisation and impairment | | | | | |
| 31 December 2016 | (60) | (8,552) | - | (3,620) | (12,232) |
| Charge for the year | (343) | (1,264) | - | (816) | (2,423) |
| Disposals | 10 | 929 | - | 90 | 1,029 |
| 31 December 2017 | (393) | (8,887) | - | (4,346) | (13,626) |
| Charge for the year | (117) | (638) | - | (386) | (1,141) |
| Disposals | 117 | 1,374 | - | 224 | 1,715 |
| 30 June 2018 | (393) | (8,151) | - | (4,508) | (13,052) |
| Net carrying amount | | | | | |
| 30 June 2018 | 20,776 | 5,443 | 124 | 4,800 | 31,143 |
| 31 December 2017 | 30,617 | 5,105 | 105 | 4,993 | 40,820 |

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18. OTHER ASSETS

| | 30 June 2018 | 31 December 2017 |
|--|-------------------------|-----------------------------|
| Other financial assets | | |
| Receivables | 2,159 | 5,118 |
| Accrued commission | 8,689 | 7,698 |
| Dividends receivable | - | - |
| Western Union and other wireless transfers | 888 | 175 |
| | 11,736 | 12,991 |
| Less allowance for impairment | (542) | (520) |
| | 11,194 | 12,471 |
| Other non-financial assets | | |
| Repossessed collateral | 48,009 | 49,442 |
| Payment receivable on repossessed collateral | 4,585 | 4,253 |
| Investment property | 15,406 | 5,003 |
| Advances paid | 854 | 149 |
| Taxes receivable other than income tax | 1,381 | 1,974 |
| Inventory | 76 | 78 |
| Other assets | 3,274 | 649 |
| | 73,585 | 61,548 |
| Less allowance for impairment | (851) | (1,227) |
| | 72,734 | 60,321 |
| | 83,928 | 72,792 |

Repossessed collateral. Repossessed collateral represents real estate accepted by the Bank in exchange for from its non-performing borrowers. These assets have been initially recognised at fair value and subsequently measured at the lower of fair value less cost to dispose or the carrying value. The Bank's policy implies sale of said assets as soon as possible.

Payment receivable on repossessed collateral. Payment on repossessed collateral comprises prepayments for repossessed collateral which is acquired under auction.

19. DUE TO BANKS AND FINANCIAL INSTITUTIONS

| | Nominal interest rate, % | 30 June 2018 | Nominal interest rate, % | 31 December 2017 |
|--|-----------------------------|-----------------|-----------------------------|---------------------|
| Long-term loans due to banks and financial institutions | 1.00-9.08 | 54,788 | 1.00-9.08 | 48,776 |
| Perpetual financial instruments | 8.34 | 26,632 | 7.34 | 26,064 |
| Loans due to international credit organisations | 8.50-10.00 | 12,440 | 8.50-10.70 | 16,151 |
| Correspondent accounts of banks | - | 2,738 | - | 1,440 |
| Loan due to NBRK | 9.25 | 98 | 5.50 | 105 |
| Short-term loans due to banks and financial institutions | 1.00 | 3,458 | - | - |
| Accrued interest | - | 880 | - | 862 |
| | | 101,034 | | 93,398 |
| Loans under repurchase agreements | 8.00-8.50 | 16,452 | 9.30-11.50 | 5,393 |
| | | 117,486 | | 98,791 |

During 6 months ended 30 June 2018, the Bank has received a short-term loans from JSC Agrarian Credit Corporation in the amount of KZT 3 458 million at 1% p.a. maturing on 30 November 2018. The loan was obtained for on-lending to agribusiness entities and agricultural production cooperatives.

During 6 months ended 30 June 2018, the Bank has received a long-term loans from DAMU JSC in the amount of KZT 5 408 million at 9.08% p.a. maturing in 2020.

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During 2018 and 2017, the Bank has received loans from DAMU JSC under the Government Program (“the Program”) to finance small and medium enterprises (“SME”) of certain industries. According to the loan agreement between DAMU and the Bank, the Bank extends loans to SME borrowers, eligible to participate in the Program, at 4% margin with the maturity not exceeding 10 years. The Bank’s obligations to repay the loan to DAMU is not contingent on collectability of the loans extended to SME borrowers. The Bank is obligated to pay 15% penalty on the amounts not extended to SME borrowers within 3-9 months after receiving the money from DAMU. Management of the Bank believes that there are no other similar financial instruments and due to specific nature of SME clients, this product represents a separate market. As a result, the loan from DAMU was received in an orderly transaction and as such has been recorded at fair value at the recognition date.

Perpetual debt. The perpetual non-cumulative financial instruments were issued by the Bank in March 2006 with an option to repay in whole, but not in part, on any interest payment date from and including 3 March 2016 at the face value of USD 100 million. Interest payment dates are 3 March, 3 June, 3 September and 3 December in each year.

Loans from international credit organisations. Loans from international credit organisations comprise loans from the European Bank for Reconstruction and Development (“EBRD”) at 8,5%-10% p.a. maturing in 2019-2020.

During six months ended 30 June 2018, the Bank has not partially repaid a long-term loan from the European Bank for Reconstruction and Development (“EBRD”) ahead of schedule

The Bank is obligated to comply with financial covenants in relation to funds and loans from banks and financial institutions. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. As at 30 June 2018 and 31 March 2018, the Bank has not breached any of these covenants.

As at 30 June 2018, funds and loans from banks and financial institutions included loans received under repurchase agreements of KZT 11,922 million that will be repaid in July 2018. The fair value of assets pledged under repurchase agreements amounted to KZT 12,094 million as at 30 June 2018.

20. CUSTOMER AND BANK ACCOUNTS

| | <u>30 June 2018</u> | <u>31 December 2017</u> |
|------------------|-------------------------|-----------------------------|
| Due to customers | | |
| - Retail | 526,288 | 504,610 |
| - Corporate | 498,566 | 470,679 |
| Due to banks | <u>14,970</u> | <u>1,663</u> |
| | <u>1,039,824</u> | <u>976,952</u> |
| | | |
| | <u>30 June 2018</u> | <u>31 December 2017</u> |
| Term deposits | 672,051 | 696,445 |
| Demand deposits | 348,41 | 274,321 |
| | <u>1,020,46</u> | <u>970,766</u> |
| Accrued interest | 4,38 | 4,523 |
| | <u>1,024,85</u> | <u>975,289</u> |

As at 30 June 2018, the Bank has 6 customers (31 December 2017: 5 customers), whose balances exceed 10% of equity. The gross balances of the above mentioned customers as at 30 June 2018 are KZT 118,048 million (31 December 2017: KZT 221,119 million).

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| | 30 June 2018 | 31 December 2017 |
|---------------------------------------|------------------|---------------------|
| Analysis by sectors: | | |
| Individuals | 526,288 | 504,610 |
| Social services | 180,539 | 133,800 |
| Construction | 79,984 | 84,357 |
| Trade | 51,844 | 48,636 |
| Transportation and communication | 35,131 | 30,164 |
| Education and health care | 31,966 | 34,260 |
| Energy | 15,862 | 19,670 |
| Insurance and pension fund activities | 15,800 | 7,256 |
| Manufacturing | 11,204 | 14,728 |
| Metallurgy | 9,823 | 4,577 |
| Agriculture | 8,927 | 7,430 |
| Entertainment services | 6,193 | 3,841 |
| Machinery | 5,419 | 3,806 |
| Fuel | 4,546 | 5,743 |
| Oil and gas sector | 4,232 | 2,950 |
| Research and engineering | 3,200 | 2,981 |
| Chemical production | 2,949 | 3,801 |
| Public administration | 771 | 1,024 |
| Other | 30,176 | 61,655 |
| Total due to customers | 1,024,854 | 975,289 |

21. DEBT SECURITIES ISSUED

| | Currency | Issue date | Maturity date | Interest rate, % | 30 June 2018 | Interest rate, % | 31 December 2017 |
|-------------------|----------|-------------|---------------|---------------------|-----------------|---------------------|---------------------|
| Kazakhstani bonds | Tenge | 26/04/2014- | 26/04/2019- | 8.00-12.00 | 33,467 | 8.00-9.00 | 17,048 |
| | | 05/02/2018 | 05/02/2028 | | | | |
| Accrued interest | | | | | 943 | | 280 |
| | | | | | 34,410 | | 17,328 |

During the period ended 30 June 2018, the Bank has placed debt securities in the amount of KZT 16,908 million under the previously issued prospectus.

Coupons on debt securities issued are repayable semi-annually; principal is repayable at maturity.

22. SUBORDINATED BONDS

| | Currenc y | Issue date | Maturity date | Interest rate, % | 30 June 2018 | Interest rate, % | 31 December 2017 |
|------------------|--------------|--------------|---------------|---------------------|-----------------|------------------|---------------------|
| Fixed rate | KZT | 27/06/2008 - | 27/06/2018 - | 4.00-11.00 | 56,101 | 4.00-11.00 | 54,439 |
| | | 03/11/2017 | 03/11/2032 | | | | |
| Floating rate | KZT | 05/12/2007 - | 27/11/2019 - | 7.50-8.10 | 20,206 | 8.70-8.80 | 20,193 |
| | | 27/11/2009 | 11/11/2023 | | | | |
| Accrued interest | | | | | 76,307 | | 74,632 |
| | | | | | 2,147 | | 822 |
| | | | | | 78,454 | | 75,454 |

As at 30 June 2018, subordinated bonds included securities that were issued on 27 June 2008 and had to be repaid on 27 June 2018 in the amount of KZT 6,000 million. Funds were not transferred by the bond holder because pursuant to the law the Bank may repay within twenty days following the maturity date. The subordinated bonds were fully repaid on 10 July 2018.

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During the period ended 30 June 2018, the Bank placed subordinated bonds in the amount of KZT 5,000 million under the previously issued prospectus.

Coupons on subordinated bonds are repayable semi-annually; principal is repayable at maturity.

Participation in the Program of Strengthening of the Banking Sector Financial Stability

Resolution of the NBRK No.191 dated 10 October 2017 approved the Bank's participation in the Program of Strengthening Financial Stability of Banking Sector of the Republic of Kazakhstan (the "Program").

In accordance with the terms of the Program, the Bank received cash from the NBRK subsidiary – Kazakhstan Sustainability Fund JSC by means of issue of registered coupon subordinated bonds of the Bank (the "Bonds") convertible into the Bank's ordinary shares on the terms provided for in the Issue Prospectus.

The Bank accepts the following covenants in its operations, which are valid during 5 years from the Bonds placement date; breach of any covenant results in enforcement of the Bonds holders' rights to convert the Bonds into ordinary shares of the Bank:

- The Bank commits itself to comply with the capital adequacy ratios set by the authorised body for the second tier banks of the RK;
- The Bank commits itself not to take actions aimed at withdrawal of the Bank's assets; in this regard a list of cases that would be treated as the asset withdrawal are specified in the Prospectus for Bond Issue.

Within the framework of the Bank's participation in the Program, on 3 November 2017, the Bank placed the Bonds at Kazakhstan Stock Exchange in the amount of KZT 60,000 million with 15-year maturity and coupon rate of 4.00% per annum. The unwinding of discount of the Bonds using the market interest rate of 15%, which was recognised as income in the statement of profit or loss at initial recognition of the Bonds, is KZT 38,687 million.

23. OTHER LIABILITIES

| | 30 June 2018 | 31 December 2017 |
|---|-----------------|---------------------|
| Other financial liabilities: | | |
| Settlements on other liabilities | 3,547 | 3,717 |
| Liabilities in guarantees issued | 8,386 | 7,413 |
| Accrued commission income | 24 | 769 |
| Provisions for guarantees and letters of credit | 153 | 115 |
| | 12,110 | 12,014 |
| Other non-financial liabilities : | | |
| Taxes payable other than income tax | 694 | 1,093 |
| Other non-financial liabilities | 1,068 | 1,204 |
| Total other liabilities | 13,872 | 14,311 |

24. SHARE CAPITAL

As at 30 June 2018, the Bank's share capital is presented as follows:

| | Authorised share capital | Share capital authorised and not issued | Repurchased share capital from shareholders | Total share capital |
|--------------------------|-----------------------------|---|--|------------------------|
| Ordinary shares | 995,876,753 | (833,419,953) | (1,181,219) | 161,275,581 |
| Preference shares | 39,249,255 | - | (39,044,841) | 204,414 |

As at 30 June 2018 the Bank's share capital comprised the following number of shares:

| | Authorized and issued share capital | Repurchased shares | Total |
|--------------------------|--|-----------------------|---------------|
| Ordinary shares | 57,794 | (46) | 57,748 |
| Preference shares | 11,775 | (11,714) | 61 |
| | 69,569 | (11,760) | 57,809 |

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As at 31 December 2017, the Bank's share capital is presented as follows:

| | Authorised share capital | Share capital authorized and not issued | Repurchased share capital from shareholders | Total share capital |
|-------------------|--------------------------|---|---|---------------------|
| Ordinary shares | 995,876,753 | (833,419,953) | (1,452,965) | 161,003,835 |
| Preference shares | 39,249,255 | - | - | 39,249,255 |

As at 31 December 2017, the Bank's share capital comprised the following number of shares:

| | Authorized and issued share capital | Repurchased shares | Total |
|-------------------|-------------------------------------|--------------------|---------------|
| Ordinary shares | 58,014 | (220) | 57,794 |
| Preference shares | 11,775 | - | 11,775 |
| | 69,789 | (220) | 69,569 |

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share. According to the legislation of the Republic of Kazakhstan and Bank's incorporation documents, dividends are payable on ordinary shares in the form of cash or securities of the Bank, on condition that the decision was made at the annual meeting of shareholders of the Bank. In accordance with the Bank's Charter, dividend payments on ordinary shares are made on the basis of financial results for the year. Distributable reserves are subject to rules and regulations of the Republic of Kazakhstan.

Terms and conditions of preferred shares provide for the Bank to pay nominal value of dividends of KZT 0.01 per share to comply with Kazakhstani legislation. This legislation envisages that joint stock companies pay the fixed guaranteed amount of the dividend on the preference shares. According to Kazakhstan law on joint stock companies, the amount of the dividend paid on the ordinary shares may not exceed the amount of the dividends paid on preference shares. In addition, dividends on ordinary shares may not be paid until dividends on preference shares have been paid in full.

| | 30 June 2018 Quantity, in thousands | 31 December 2017 Quantity, in thousands |
|--|---|---|
| Preference shares, beginning of the period | 39,249 | 39,249 |
| Preference shares repurchased | (39,045) | - |
| Preference shares, end of the period | 204 | 39,249 |
| Ordinary shares, beginning of the period | 161,004 | 162,057 |
| Treasury shares purchased | (928) | (2,355) |
| Treasury shares sold | 1,200 | 1,302 |
| Ordinary shares, end of the period | 161,276 | 161,004 |

25. SUBSEQUENT EVENTS

The Bank has no information about any significant subsequent events.

G.A. Khussainov
Chairman of the Management Board

August 10, 2018
Almaty

Ye.A. Assylbek
Deputy Chairman of the
Management Board
August 10, 2018
Almaty

S.K. Uashova
Acting Chief Accountant

August 10, 2018
Almaty