

JSC «BANK CENTERCREDIT»
EXPLANATORY NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
FOR 9 MONTHES ENDED
30 SEPTEMBER 2014

1. GENERAL INFORMATION ON THE BANK

“Bank CenterCredit” JSC (“the Bank”) is a Joint Stock Company (“JSC”) established and started business activity in the Republic of Kazakhstan since 1988. The Bank’s activity is regulated in accordance to the legislation of the Republic of Kazakhstan. The Bank’s activity is regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank conducts its business under license No248 dated 13 December 2007. On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank’s ordinary shares.

The Bank’s core activity consists of commercial banking activities, transactions with securities, loans, foreign currency and derivative financial instruments, loan and guarantee granting.

The Bank is a member of Kazakhstan Deposit Insurance Fund (the “KDIF”).

The Bank’s registered office is 98, Panfilov Street, Almaty, Republic of Kazakhstan;

As at 30 September 2014 and 31 December 2013, the Bank had 20 branches in the Republic of Kazakhstan.

The Bank is a parent company of a banking group (the “Group”) which consists of the following companies consolidated in interim condensed consolidated financial statements:

Name	Country of operation	30 September 2014	31 December 2013	Type of operations
JSC APF Capital	Republic of Kazakhsan	92.02%	75.06%	Trust management
LLP Center Leasing	Republic of Kazakhsan	90.75%	90.75%	Finance lease
JSC «BCC Invest»	Republic of Kazakhsan	100%	100%	Brokerage and dealer activity
LLP BCC-OUA	Republic of Kazakhsan	100%	100%	Distressed assets management
LLP «Bank BCC-Moscow»	Russian Federation	100%	100%	Rendering banking services

JSC Accumulated Pension Fund Capital (“APF Capital”) was established as closed joint stock company in October 2001, in accordance with legislation of the Republic of Kazakhstan. In December 2003, APF “Capital” was re-registered as a joint stock company. APF “Capital” has been managing pension contribution inflows and the accumulation in individual pension accounts, in accordance with the requirements of legislative acts of the Republic of Kazakhstan.

The new Law of the Republic of Kazakhstan # 105- V dated 21 June 2013 and amendments to it together with the Decree of the Government of the Republic of Kazakhstan #747 dated 31 July 2013 ruled to start new reform of the national pension system of the Republic of Kazakhstan. In connection with it, transfer of all pension assets and liabilities which were managed by private accumulating pension funds to state Single Accumulating Pension Funds (“the SAPF”) was approved.

As a result of this reform, on 18 November 2013 the APF Capital stopped accepting pension contributions from its clients and transferred all pension assets and associated liabilities under management to SAPF. Since then the APF Capital’s activity is concentrated on managing its own investment portfolio.

In September 2002, LLP Center Leasing was established as a limited liability partnership in accordance with legislation of the republic of Kazakhstan. The core activity of LLP Center Leasing is leasing operations which are conducted in accordance with Article 10 of Law of the Republic of Kazakhstan “On Financial Leasing”.

In May 1998, JSC «BCC Invest» was established as limited liability partnership (previously named LLP «KIB ASSET MANAGEMENT») in accordance with legislation of the Republic of Kazakhstan. On 26 September 2006, LLP «KIB ASSET MANAGEMENT» was re-registered as Joint Stock Company. The core activity of JSC «BCC Invest» is management of assets of mutual funds and management of investment portfolio.

In August 2006, the Bank received permission from Agency on Financial Supervision for establishment of its subsidiary LLC “Bank BCC-Moscow”. On 21 March 2008, LLC “Bank BCC-Moscow” received its license from the Central Bank of Russian Federation. The core activity of LLC “Bank BCC-Moscow” consists of banking services.

In December 2011, Kazakhstan adopted the Law of the Republic of Kazakhstan on the Introduction of Amendments and Supplements to Certain Legislative Acts of the Republic of Kazakhstan regarding the Regulation of Banking Activities and Financial Institutions with respect to Risk Mitigation, stipulating creation by second-tier banks of special subsidiaries, which would purchase bank’s non-working (distressed) assets and manage them.

As at 30 September 2014, the shareholders who owned individually more than 5% of the issued shares of the Group are as follows:

	30 September 2014 %	30 September 2013 %
Kookmin Bank	41.93	41.93
B.R.Baiseitov	25.60	25.11
IFC	10.00	10.00
Others (others individually owning 5% of shares)	22.47	22.96
Total	100.00	100.00

2. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS

Significant accounting policies

These interim condensed consolidated financial statements of the Group have been prepared using the accounting policies compliant with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim financial statements”. Thus, certain data and disclosures, usually required to be included in annual consolidated financial statements, have been omitted or condensed.

These interim condensed financial statements are presented in millions of Kazakhstani Tenge (“KZT millions”), unless otherwise indicated. These interim condensed consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for investments held for sale, financial assets at fair value through profit or losses and derivative financial instruments that are measured at fair value.

The Group maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Board of Directors of the Group. These interim condensed consolidated financial statements have been prepared based on accounting records and have been adjusted in a proper way to conform to IFRS.

Functional currency

Items included in the interim condensed financial information of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the «functional currency »). The functional currency of the Group is the Kazakhstani tenge (“KZT” or “Tenge”).

3. NET INTEREST INCOME

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Interest income:		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired financial assets	25,827	27,622
-interest income on unimpaired financial assets	39,720	32,941
Interest income on financial assets at fair value	<u>3,755</u>	<u>3,445</u>
Total interest income	<u>69,302</u>	<u>64,008</u>
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers and banks	60,728	58,492
Interest on investments held to maturity	730	1,241
Penalties on loans to customers and banks	3,785	610
Interest on due from banks	<u>304</u>	<u>220</u>
Total interest income on financial assets recorded at amortized cost	<u>65,547</u>	<u>60,563</u>
Interest income on financial assets at fair value:		
Interest on investments available for sale	2,312	2,103
Interest on investments initially recognized at fair value through profit or loss	<u>1,443</u>	<u>1,342</u>
Total interest income on financial assets at fair value	<u>3,755</u>	<u>3,445</u>
Total interest income	<u>69,302</u>	<u>64,008</u>
Interest expense:		
Interest expenses on financial liabilities recorded at amortized cost	<u>34,790</u>	<u>37,291</u>
Total interest expense	<u>34,790</u>	<u>37,291</u>
Interest expense on financial liabilities recorded at amortized cost:		
Interest on due to customers and banks	23,223	25,813
Interest on debt securities issued	1,299	4,564
Interest on due to banks and financial institutions	7,210	4,739
Interest on subordinated bonds	<u>3,058</u>	<u>2,175</u>
Total interest expenses on financial liabilities recorded at amortized cost	<u>34,790</u>	<u>37,291</u>
Net interest income before provision for impairment losses on interest bearing assets	<u><u>34,512</u></u>	<u><u>26,717</u></u>

4. ALLOWANCE FOR IMPAIRMENT LOSS AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

For the nine months ended 30 September 2014	Consumer loans	Corporate loans	Receivables on credit cards	Total (Note 17)
31 December 2012	14,290	123,088	42	137,420
(Creation of provisions)/ provisions recovery	16,196	4,726	80	21,081
Write-off of assets	(463)	(5,419)	-	(5,882)
Recovery of assets previously written off	1,633	577	-	2,210
Exchange rate difference	(98)	(438)	-	(536)
30 September 2013	31,558	122,534	122	154,214
31 December 2013	42,030	154,989	209	197,228
(Creation of provisions)/ provisions recovery	14,221	16,336	(103)	30,454
Write-off of assets	(2,314)	(7,054)	-	(9,368)
Recovery of assets previously written off	(5,867)	(78,313)	-	(84,180)
Exchange rate difference	44	561	-	605
(Creation of provisions)/ provisions recovery	2,522	8,885	-	11,407
30 September 2014	50,636	95,404	106	146,146

The movements in provision for impairment losses on other transactions were as follows:

	Investments held-to-maturity (Note 15)	Property, equipment and intangible assets	Other assets (Note 18)	Guarantees and letters of credit (Note 22)	Total
31 December 2012	106	-	1,242	1,779	3,127
(Creation of provisions)/ provisions recovery	-	-	649	267	1382
Write-off of assets	-	-	(332)	-	(332)
Recovery of assets previously written off	-	-	-	-	-
Exchange rate difference	-	-	-	(2)	(2)
30 September 2013	106	-	1,559	2,044	3,709
31 December 2013	-	-	1,891	1,780	3,671
(Creation of provisions)/ provisions recovery	-	-	(329)	328	(1)
Write-off of assets	-	-	(91)	-	(91)
Recovery of assets previously written off	-	-	1,255	-	1,255
Exchange rate difference	-	-	137	11	148
30 September 2014	-	-	2,862	2,119	4,981

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

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Net gain on financial assets and liabilities at fair value through profit or loss	408	223
Total net gain on transactions with financial assets and liabilities at fair value through profit or loss	<u>408</u>	<u>223</u>
Net gain on financial assets and liabilities at fair value through profit or loss:		
Unrealized (loss)/gain from fair value adjustment of trading financial assets	360	(2)
Realized (loss)/gain on trading transactions	52	47
Realized (loss)/gain on operations with derivative financial instruments	61	92
Unrealized gain/(loss) on operations with derivative financial instruments	<u>(65)</u>	<u>86</u>
Total net gain on operations with financial assets and liabilities at fair value through profit or loss	<u>408</u>	<u>223</u>

6. NET REALIZED GAIN / (LOSS) FROM DISPOSAL AND IMPAIRMENT LOSSES ON INVESTMENTS AVAILABLE-FOR-SALE

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Net realized gain / (loss) on investments available-for-sale	55	(38)
Gain/(loss) from impairment loss on investments available-for-sale	2	-
Total net realized gain / (loss) from disposal and impairment loss on investments available-for-sale	<u>57</u>	<u>(38)</u>

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Dealing operations, net	4,848	3,025
Translation differences, net	<u>(1,285)</u>	<u>203</u>
Итого чистая прибыль по операциям с иностранной валютой	<u>3,563</u>	<u>3,228</u>

8. FEE AND COMMISSION INCOME AND EXPENSE

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Fee and commission income:		
Settlements	3,597	3,237
Cash operations	4,093	3,752
Payment cards	2,889	2,755
Guarantees granting	2,989	2,682
Trust operations	38	2,258
Foreign currency operations	828	740
Internet-banking services	405	-
Custodian activities	368	-
Other	595	1,390
Total fee and commission income	<u>15,802</u>	<u>16,814</u>
Fee and commission expense:		
Settlements	795	672
Documentary operations	54	551
Custodian activities	351	-
Foreign currency operations	55	46
Purchase and sale of securities	40	-
Brokerage services	-	59
Other	98	122
Total fee and commission expense	<u>1,393</u>	<u>1,461</u>

9. OPERATING EXPENSES

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Staff cost	8,714	8,471
Rent expenses	1,477	2,395
Deposit Insurance Fund expenses	1,823	2,094
Depreciation and amortization	1,819	1,751
Taxes (other than income tax)	1,600	2,280
Administrative expenses	1,196	1,177
Security expenses	520	502
Telecommunications	421	475
Advertising costs	134	469
Repair and maintenance of equipment	256	207
Travel expenses	174	190
Professional services expenses	157	176
Representation costs	35	35
Other expenses	1,145	972
Total operating expenses	<u>19,471</u>	<u>21,194</u>

10. INCOME TAXES

The Group carries out calculations of current taxes based on tax accounting maintained in accordance with the requirements of tax regulations of countries where the Bank and its subsidiaries operate.

Most of significant permanent tax differences of the Group include certain expenses that are treated as non-taxable for tax purposes, such as representation expenses and certain non-taxable revenues such as interest income on mortgage loans and income from operations with government securities and securities listed in Kazakhstan Stock Exchange.

Tax effect from translation differences as at 30 September 2014 and 2013 are as follows:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Current income tax	1,369	96
Adjustments recognized in the period for current tax of prior periods	(935)	-
Deferred income tax expense (economy)	<u>919</u>	<u>1,241</u>
Deferred income tax expense / (economy)	<u>1,353</u>	<u>1,337</u>

The tax rate used for calculation of corporate income tax for the nine months ended 30 September 2014 is 20%, it is payable by corporate entities on the basis of taxable profits in accordance with tax legislation of the Republic of Kazakhstan.

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Deferred income tax assets/(liabilities)		
Beginning of the period	1,132	2,036
Change in deferred tax assets / (liabilities)	<u>(919)</u>	<u>(1,241)</u>
End of the period	<u>213</u>	<u>795</u>

11. BOOK VALUE PER SHARE

The book value per share by each type of share as at 30 September 2014 and 30 September 2013 was as follows:

Type of share	30 September 2014			30 September 2013		
	Outstanding share (number of shares)	Amount for calculation of the carrying value, in KZT million	Carrying value per share, in KZT	Outstanding share (number of shares)	Amount for calculation of the carrying value, in KZT million	Carrying value per share, in KZT
Ordinary shares	162,275,022	75,506	465	162,366,527	73,812	454
Preference shares	39,249,255	<u>11,775</u>	300	39,249,255	<u>11,775</u>	300
		<u>87,281</u>			<u>85,587</u>	

The book value per preference share is calculated as ratio of equity attributable to preference shares to total number of preference shares as of reporting date.

The book value per ordinary share is calculated as ratio of sum of the Group's net assets for ordinary shares to total number of ordinary shares as of reporting date. Net assets of the Group for ordinary shares are calculated as the sum of total equity less intangible assets and equity attributable to preference shares as of reporting date.

Total number of ordinary and preference shares is calculated as total number of issued outstanding shares less shares bought back by the Group as of reporting date.

12. CASH AND CASH EQUIVALENTS

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Deposits with financial institutions	113,451	147,966
Cash on hand	25,941	31,188
Cash in transit	7,556	8,245
Deposits restricted in use	5,000	-
	<u>151,948</u>	<u>187,399</u>
Accrued interest	3	14
	<u>151,951</u>	<u>187,413</u>
Total cash and cash equivalent	<u>151,951</u>	<u>187,413</u>

Minimum reserve level is defined as certain percent of average weighted balance of deposits and international borrowings in accordance with the requirements of NBRK and amounted to KZT 18.054 million and KZT 15.086 million as of 30 September 2014 and 30 September 2013, respectively. The Group has observed the requirements of NBRK and thus had the right to use funds without any restrictions.

Deposits with financial institutions with initial maturity equal or less than 3 months consist of the following:

	Interest rates (%)		30 September 2014 (unaudited)	30 September 2013 (unaudited)
	min	max		
Term deposits with banks	0,00%	8,00%	113,451	147,966
Term deposits with NBRK			5,000	-
			<u>118,451</u>	<u>147,966</u>
Total accrued interest			3	14
			<u>118,454</u>	<u>147,980</u>
Total deposits with financial institutions			<u>118,454</u>	<u>147,980</u>

13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss held-for-trading comprise:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Financial assets held-for-trading:		
Debt securities	22,726	24,859
Equity securities	663	372
	<u>23,389</u>	<u>25,231</u>
Total financial assets held-for-trading	<u>23,389</u>	<u>25,231</u>
Derivative financial instruments	4,431	4,005
	<u>27,820</u>	<u>29,236</u>
Total financial assets at fair value through profit or loss	<u>27,820</u>	<u>29,236</u>

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Nominal interest rate, %	Fair value	Nominal interest rate, %	Fair value
Debt securities:				
Government bonds of the Republic of Kazakhstan	4,80-7,80	8,365	4.80-7.80	8,443
Kazakhstan corporate bonds	5,9-13,00	5,869	5.70-13.00	5,888
Russian corporate bonds	7,4-11,5	6,836	6.90-12.25	9,072
Government bonds of Russian Federation	6,88-8,15	1,655	7.00-8.15	1,456
International corporate bonds		-		-
Others				
Total debt securities		<u>22,726</u>		<u>24,859</u>

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Ownership ratio, %	Fair value	Ownership ratio, %	Fair value
Equity securities:				
Shares of Kazakhstan companies	-	662	-	366
Shares of International corporations	-	<u>1</u>	-	<u>6</u>
Total equity securities		<u>663</u>		<u>372</u>

	30 September 2014 (unaudited)			30 September 2013 (unaudited)		
	Notional value	Net fair value		Notional value	Net fair value	
		Asset	Liability		Asset	Liability
Derivative financial instruments:						
Foreign currency contracts						
Swaps	61,677	4,431	209	31,182	3,959	21
Embedded derivatives			0	379	37	-
				49	9	-
Total derivative financial instruments		<u>4,431</u>	<u>209</u>	<u>4,005</u>	<u>4,005</u>	<u>21</u>

The table above shows the fair value of derivative financial instruments recorded as assets and liabilities together with their notional principal amounts. The notional principal amount refers to the amount of reference asset, rate or index on the basis of which the change in fair value of derivative instrument is measured. The notional principal amount indicates the volume of transactions at the end of period and is not an indicator of market or credit risks.

At the time of execution of derivative financial instruments, they often represent only mutual exchange of promises to transfer minimum interest or without it. At the same time, these instruments often imply high level of use of borrowings and are exposed to big volatility.

Relatively minor change in asset's value, interest rate or index underlying derivative contract, may significantly affect the profit or loss of the Group.

14. INVESTMENTS AVAILABLE-FOR-SALE

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Debt securities	50,460	56,142
Equity securities	<u>203</u>	<u>245</u>
Total investments available-for-sale	<u>50,663</u>	<u>56,387</u>

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Nominal inter- est rate %	Fair value	Nominal in- terest rate %	Fair value
Debt securities:				
Government bonds of the Republic of Kazakhstan	3.30-8.75	31,863	3.10-8.75	40,391
Kazakhstan corporate bonds	5.50-8.90	13,416	4.40-8.00	10,527
International corporate bonds	4.22-8.15	3,273		
Russian corporate bonds	5.25-12.00	1,908	5.25-10.40	5,224
Total debt securities		<u>50,460</u>		<u>56,142</u>

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Ownership share	Fair value	Ownership share	Fair value
Equity securities:				
Shares of Kazakhstan companies	-	191	0.02-16.6	245
Shares of International companies		<u>12</u>		<u> </u>
Total equity securities		<u>203</u>		<u>245</u>
Total investments available-for-sale		<u>50,663</u>		<u>56,387</u>

Interest on equity securities accrued as at 30 September 2014, included in investments available-for-sale amounted to KZT 902 million.

15. INVESTMENTS HELD-TO-MATURITY

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Nominal in- terest rate	Amount	Nominal interest rate	Amount
Government bonds of the Republic of Kazakhstan	4.40-8.75	7,679	4.30-8.75	11,433
Kazakhstan corporate bonds	6.21-11.75	3,385	5.89-13.00 5.03-5.03	8,818
Russian corporate bonds				1,086
International corporate bonds	10.62	296	6.07-6.07	295

	11,360	21,632
Less allowance for impairment losses	-	(106)
Total investments held-to-maturity	11,360	21,526

Movement in allowances for impairment losses on investments held-to-maturity for the nine months ended 30 September 2014, and nine months ended 30 September 2013, is disclosed in Note 4.

16. DUE FROM BANKS

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Due from banks	4,092	3,497
Accrued interest	14	12
Total due from banks	4,106	3,509

17. LOANS TO CUSTOMERS AND CLIENTS

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Loans granted to customers	905,769	879,518
Net investments in finance lease	5,655	5,640
Accrued interest	55,323	54,970
	966,747	940,128
Less allowance for impairment losses	(146,103)	(154,214)
Total loans to customers	820,644	785,914
Loans to banks	4,790	6,604
Accrued interest	25	17
Less allowance for impairment losses	(43)	-
Total loans to banks	4,772	6,621
Loans under reverse repurchase agreements	200	294
Accrued interest	1	-
Total loans to customers and banks	825,617	792,829

Movement in allowances for impairment losses on loans to customers and banks for the nine months ended 30 September 2014, and nine months ended 30 September 2013 is disclosed in Note 4.

The table below summarizes the amount of loans to customers secured by different types of collateral, rather than fair value of the collateral itself:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Loans collateralized by real estate and freehold	692,940	693,856
Loans collateralized by goods in turnover	93,895	99,601
Loans collateralized by equipment	45,788	54,404
Loans collateralized by corporate guarantees	55,110	45,428
Loans collateralized by other assets	35,590	18,684
Loans collateralized by cash	19,563	13,965
Unsecured loans	<u>23,861</u>	<u>14,190</u>
	966,747	940,128
Less allowance for impairment losses	<u>(146,103)</u>	<u>(154,214)</u>
Total loans to customers	<u><u>820,644</u></u>	<u><u>785,914</u></u>

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Analysis by sector:		
Individuals	370,478	342,129
Trading	153,977	185,014
Industrial construction	74,200	68,341
Manufacturing	46,032	52,926
Rent of real estate	57,684	43,524
Food industry	48,013	48,600
Residential construction	59,310	44,647
Agriculture	46,088	40,390
Transportation and equipment maintenance	28,550	26,395
Oil and gas	10,930	20,336
Transport and telecommunications	11,679	17,093
Energy	9,036	8,865
Mass media	1,024	1,899
Other	49,746	39,969
	<u>966,747</u>	<u>940,128</u>
Less allowance for impairment losses	<u>(146,103)</u>	<u>(154,214)</u>
Total loans to customers	<u><u>820,644</u></u>	<u><u>785,914</u></u>

Loans to individuals comprise the following credit products:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Mortgage loans	164,264	161,260
Consumer loans	121,346	108,919
Business development	77,308	64,677
Car loans	<u>7,560</u>	<u>7,273</u>
	370,478	342,129
Less allowance for impairment losses	<u>(49,864)</u>	<u>(31,680)</u>
Total loans to individuals	<u><u>320,614</u></u>	<u><u>310,449</u></u>

As at 30 September 2014 the Group granted loans totaling KZT 230,290 million, which individually and in aggregate exceeded 10% of the Group's equity.

As at 30 September 2014, a significant amount of loans (96% of total portfolio) was granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 30 September 2014, loans to customers included loans totaling KZT 67,567 million, with terms and conditions renegotiated. Otherwise these loans would be past due or impaired.

	30 September 2014 (unaudited)		Book value	30 September 2013 (unaudited)		Book value
	Book value before creation of allowance for impairment losses	Allowance for impairment losses		Book value before creation of allowance for impairment losses	Allowance for impairment losses	
Loans to customers that are considered to be impaired individually	272,841	(83,747)	189,094	293,495	(105,324)	188,171
Loans to customers that are considered to be impaired on a collective basis	78,051	(20,025)	58,026	141,903	(16,796)	125,107
Unimpaired loans	<u>615,855</u>	<u>(42,331)</u>	<u>573,524</u>	<u>504,730</u>	<u>(32,094)</u>	<u>472,636</u>
Total	<u><u>966,747</u></u>	<u><u>(146,103)</u></u>	<u><u>820,644</u></u>	<u><u>940,128</u></u>	<u><u>(154,214)</u></u>	<u><u>785,914</u></u>

As at 30 September 2014 and 30 September 2013, the Group entered as a lessor into finance leasing agreements. The interest rate inherent in leases is fixed at the contract date for all of the lease terms.

The components of net investments in finance lease as at 30 September 2014 and 30 September 2013 are presented as follows:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Not later than one year	698	1,631
From one year to five years	1,839	1,661
More than five years	<u>10,443</u>	<u>7,769</u>
Minimum payments under finance lease contracts	12,980	11,061
Less unearned income	<u>(7,325)</u>	<u>(5,421)</u>
Creation of allowance for impairment losses	-	-
Net investments in finance lease	<u><u>5,655</u></u>	<u><u>5,640</u></u>
Current portion	698	1,631
Long-term portion	<u>4,957</u>	<u>4,009</u>
Net investment in finance lease before allowance for impairment losses	5,655	-
Less allowance for impairment losses	<u>(208)</u>	<u>-</u>
Net investments in finance lease, net of allowance for impairment	<u><u>5,447</u></u>	<u><u>5,640</u></u>

Fair value of assets pledged and book value of reverse repurchase agreements as at 30 September 2014 and 30 September 2013 are presented as follows:

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Book value of loans	Fair value of col- lateral	Book value of loans	Fair value of col- lateral
Bonds of the Ministry of Finance of the Re- public of Kazakhstan	201	201	294	294
NBRK notes	-	-	-	-
	<u>201</u>	<u>201</u>	<u>294</u>	<u>294</u>
Total	<u>201</u>	<u>201</u>	<u>294</u>	<u>294</u>

18. OTHER ASSETS

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Other financial assets:		
Receivables	5,111	2,390
Accrued commission	2,532	676
Western Union and other wireless transfers	97	46
Other financial assets	0	-
	<u>7,740</u>	<u>3,112</u>
Less allowance for impairment losses	<u>(1,560)</u>	<u>(295)</u>
Total other financial assets:	<u>6,180</u>	<u>2,817</u>
Other non-financial assets:		
Long-term assets held-for-sale	17,528	13,929
Repossessed collateral		
Taxes receivable, except for income tax	1,144	1,538
Advances paid	1,228	2,627
Inventory	56	138
	<u>19,956</u>	<u>18,232</u>
Less allowance for impairment losses	<u>(1,302)</u>	<u>(1,264)</u>
Total other non-financial assets	<u>18,654</u>	<u>16,968</u>
Total other assets	<u>24,834</u>	<u>19,785</u>

Movement in allowances for impairment losses on other assets for the nine months ended 30 September 2014, and nine months ended 30 September 2013, is disclosed in Note 4.

19. DUE TO BANKS AND FINANCIAL INSTITUTIONS

Item	Annual interest rate (%)		30 September 2014 (unaudited)	30 September 2013 (unaudited)
	min	max		
Long-term loans due to banks and financial institutions	1.03	8.50	35,543	24,152
Loans due to international credit organizations	-	-	0	1,550
Subordinated loan	LIBOR+4.5	LIBOR+6.5	4,549	23,055
Perpetual financial instruments	9.13	9.13	13,603	11,748
Short-term loans due to banks and financial institutions	3,38	7	1,624	7,595
Loans due to Government of the Republic of Kazakhstan and NBRK	5.50	5.50	55,154	171
Correspondent account of banks	-	-	421	15,733
Accrued interest expense			2,402	949
			<u>113,296</u>	<u>84,953</u>
Loans under repurchase agreements	2,5	3,3	<u>12,804</u>	<u>29,342</u>
Total due to banks and financial institutions			<u><u>126,100</u></u>	<u><u>114,295</u></u>

In February 2014, the Group received a loan from NBRK in the amount of KZT 80,000 million at 5.5% per annum with the maturity of one year, of which KZT 25,000 million has been repaid as at 30 September 2014.

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 face value of USD 100 million. Interest and principal on loans due to banks are repayable either quarterly, semiannually or at the end of the term, depending on the agreed repayment schedule.

Coupon on the subordinated loan is repayable semiannually and principal is repayable at the end of the term in 2015 and 2019.

During the nine months ended 30 September 2014, the Group received long-term loans from JSC Kazakhstan Development Bank in the amount of KZT 11,000 million at 7.90% per annum maturing in 2019.

During the nine months ended 30 September 2014, the Group received long-term loan from JSC Entrepreneurship Development Fund DAMU in the amount of KZT 8,000 million at 2.00% per annum maturing in 2034.

In the event of bankruptcy or liquidation of the Group, repayment of all subordinated loans is subordinate to the repayments of the Group's liabilities to all other creditors.

As at 30 September 2014, the Group had long-term loans received from JSC Entrepreneurship Development Fund DAMU and the National Bank of the Republic of Kazakhstan that individually and in aggregate exceeded 10% of the Group's equity. As at 31 December 2013, the Group had long-term loans received from JSC Entrepreneurship Development Fund DAMU, that individually and in aggregate exceeded 10% of the Group's equity.

As at 30 September 2014 and 30 September 2013, the fair value of assets pledged and book value of liabilities under repurchase agreements are presented as follows:

	30 September 2014 (unaudited)		30 September 2013 (unaudited)	
	Book value of loans	Fair value of collateral	Book value of loans	Fair value of collateral
Government bonds of RK	5,355	5,850	21,950	23,477
Kazakhstan corporate bonds	5,648	5,764	20	29
Russian corporate bonds	1,631	1,631	7,116	7,116
Bank bonds	-	-	256	340
Ordinary shares	155	218	-	-
Total	<u>12,789</u>	<u>13,463</u>	<u>29,342</u>	<u>30,962</u>

20. CUSTOMER AND BANK ACCOUNTS

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Recorded at amortized cost:		
Customer accounts	825,303	824,232
Bank accounts	4,603	3,275
	<u>829,906</u>	<u>827,507</u>
Accrued interest	4,576	7,475
Total customer and bank accounts	<u>834,482</u>	<u>834,982</u>
	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Term deposits	552,522	564,369
Demand deposits	272,781	259,863
	<u>825,303</u>	<u>824,232</u>
Accrued interest	4,390	7,463
Total customer accounts	<u>829,693</u>	<u>831,695</u>

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Analysis by sector:		
Private sector	339,515	313,552
Agriculture	12,615	5,206
Social services	147,355	211,988
Construction	71,816	46,794
Transportation and communication	34,921	4,898
Manufacturing	15,989	19,093
Insurance	18,314	72,926
Metallurgy	11,017	4,734
Research and engineering	7,456	9,081
Fuel	4,757	38,097
Trading	43,398	33,224

Energy	12,814	-
Entertainment services	4,700	-
Machinery	2,748	-
Chemical production	3,338	-
Education and health care	41,401	-
Oil and gas	19,452	-
Other	38,087	72,102
Total customer accounts	<u>829,693</u>	<u>831,695</u>

Banks account as at 30 September 2014 and 30 September 2013 are presented as follows:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Term deposits	4,600	3,138
Demand deposits	<u>3</u>	<u>137</u>
	4,603	3,275
Accrued interest	<u>186</u>	<u>12</u>
Total banks accounts	<u><u>4,789</u></u>	<u><u>3,287</u></u>

21. DEBT SECURITIES ISSUED

	Currency	Issue date (DD/MM/YY)	Maturity date (DD/MM/YY)	Interest rate, %	30 September 2014 (unaudited)	30 September 2013 (unaudited)
International bonds	USD					37,495
Kazakhstan bonds	KZT	29/12/2004-	27/11/2014	5.50-8.00	9,748	10,169
International bonds	JPY	27/11/2009	27/12/2015	-	-	-
Russia bonds	USD	-	-	-	-	-
Russia bonds	RUR	-	-	-	-	24
					<u>9,748</u>	<u>47,688</u>
Accrued interest					<u>173</u>	<u>715</u>
Total debt securities is- sued					<u><u>9,921</u></u>	<u><u>48,403</u></u>

Interest expense on debt securities issued is payable semiannually.

22. OTHER LIABILITIES

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Other financial liabilities:		
Settlements on other operations	3,077	4,165
Derivative financial instruments (Notee 13)	245	48
Accrued fee expenses	473	382
Allowances for guarantees and letters of credit	-	-
Liabilities under guarantees issued	<u>2,416</u>	<u>-</u>
	6,211	4,595
Other non-financial liabilities:		
Taxes payable, except for income tax	1,254	1,436
Allowances for guarantees and letters of credit (Note 4)	2,119	2,044
Other non-financial liabilities	<u>576</u>	<u>380</u>
Total other liabilities	<u><u>10,160</u></u>	<u><u>8,455</u></u>

The movements in allowances for guarantees and other liabilities for the nine months ended 30 September 2014, and nine months ended 30 September 2013 are disclosed in Note 4.

23. SUBORDINATED BONDS

	Cur- rency	Issue date (DD/MM/YY)	Maturity date (DD/MM/YY)	Annual interest rate %	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Floating rate	Тенге	31/05/2005 27/11/2009	31/05/2015 11/11/2023	5.50-8.90	38,962	35,505
Fixed rate	Тенге	27/06/2008	27/11/2024	11.00	<u>14,508</u> <u>53,470</u>	<u>5,997</u> <u>41,502</u>
Accrued interest expense					<u>1,352</u>	<u>1,234</u>
Total subordinated bonds					<u><u>54,822</u></u>	<u><u>42,736</u></u>

Interest expense on subordinated bonds is payable semiannually, principal is payable at the end of term.

In case of bankruptcy or liquidation of the Group, repayment of this debt is subordinated to all liabilities of the Group to all other creditors.

24. SHARE CAPITAL

As at 30 September 2014, the Bank's share capital comprised the following:

	Authorized share capital	Capital authorized and not issued	Repurchased shares	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(181,778)	162,275,022
Preference shares	39,249,255	-	-	39,249,255

As at 30 September 2013 the Bank's share capital comprised the following:

	Authorized share capital	Capital authorized and not issued	Repurchased shares	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(90,273)	162,366,527
Preference shares	39,249,255	-	-	39,249,255

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

As at 30 September 2014 and 30 September 2013, repurchased ordinary shares amounted to KZT 168 million.

According to Law of the Republic of Kazakhstan on Joint Stock Companies, dividends are payable by cash or the Bank's securities on condition that the decision on dividend payout was made at the annual meeting of shareholders of the Bank. In accordance with Charter of the Bank dividend payout on ordinary shares is made on the basis of financial results for the year.

Preference shares have no voting right and are not redeemable. Shareholders of preference shares have a right to receive dividends prior to shareholders of ordinary shares. Conversion of preference shares is performed based on the decision of the Board of Directors.

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Preference shares, beginning of the period	39,249,255	39,249,255
Preference shares issued	-	-
Preference shares, end of the period	39,249,255	39,249,255
Ordinary shares, beginning of the period	162,288,670	162,155,381
Ordinary shares issued	-	-
Treasury shares repurchased	(604,344)	(256,764)
Treasury shares sold	590,696	467,910
Ordinary shares, end of the period	162,275,022	162,366,527

Taxation

Commercial legislation of the Republic of Kazakhstan and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the tax authorities' valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes

that it has accrued all tax amounts due and therefore no allowance has been made in the interim condensed consolidated financial statements.

Pension payments

In accordance with legislation of the Republic of Kazakhstan and Russian Federation, all workers of the Group have the right to a pension. As at 30 September 2014 and 31 December 2013, the Group had no liabilities to its current and former workers on additional pension payments, payment of medical services after retirement, insurance payments or other benefits when retiring.

V.S.Lee
Chairman



Yang Jin Hwan
Managing Director

A.T.Nurgalieva
Chief Accountant