

# **JOINT STOCK COMPANY KAZKOMMERTSBANK**

## **Interim Condensed Consolidated Financial Information**

For the six months ended 30 June 2014 (unaudited)

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## TABLE OF CONTENTS

---

	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)	1
INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED):	
Interim consolidated statement of profit or loss (unaudited)	3
Interim consolidated statement of comprehensive income (unaudited)	4
Interim consolidated statement of financial position (unaudited)	5
Interim consolidated statement of changes in equity (unaudited)	6-7
Interim consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-31

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

---

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of the Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 30 June 2014 and the results of its operations for the three and the six month period then ended, as well as cash flows and changes in equity for the six month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:


- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2014 was approved by the Management Board of JSC Kazkommertsbank on 22 September 2014.

On behalf of the Management Board of the Bank:

  
Auezov M.M.  
Acting Chairperson of the Board

22 September 2014  
Almaty

  
Sudarikova N.V.  
Acting Chief Accountant

22 September 2014  
Almaty

## **INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

To the Shareholders and the Board of Directors of JSC Kazkommertsbank:

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial information of JSC Kazkommertsbank and its subsidiaries ("the Group") which comprises the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of profit or loss and comprehensive income for the three and the six months then ended, the interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2014, and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

*Deloitte, LLP*

22 September 2014  
Almaty

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Notes	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
Interest income	4, 18	63,455	56,566	119,244	114,629
Interest expense	4, 18	(29,259)	(26,950)	(57,725)	(54,881)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		34,196	29,616	61,519	59,748
Provision for impairment losses on interest bearing assets	5, 18	(17,586)	(19,824)	(27,360)	(37,501)
NET INTEREST INCOME		16,610	9,792	34,159	22,247
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	442	2,846	(3,678)	(1,567)
Net gain/(loss) on foreign exchange and precious metals operations		9	(603)	(7,789)	3,769
Fee and commission income		7,632	7,635	14,725	14,720
Fee and commission expense		(2,888)	(2,138)	(5,518)	(4,374)
Net realized (loss)/gain on investments available-for-sale		(27)	12	(60)	71
Dividend income		170	247	1,273	252
Other income		178	3,790	980	6,405
NET NON-INTEREST INCOME/(EXPENSE)		5,516	11,789	(67)	19,276
OPERATING EXPENSES	7, 18	(9,130)	(8,282)	(17,289)	(16,057)
PROFIT BEFORE OTHER OPERATING PROVISIONS		12,996	13,299	16,803	25,466
Provision for impairment losses on other transactions	18	(768)	(2,090)	(1,519)	(5,118)
Recovery of provision/(provision) for guarantees and other contingencies	18	389	(2,041)	2,499	(2,353)
PROFIT BEFORE INCOME TAX		12,617	9,168	17,783	17,995
Income tax expense	8	(2,738)	(1,435)	(3,910)	(3,242)
NET PROFIT		9,879	7,733	13,873	14,753
Attributable to:					
Ordinary shareholders of the Parent		8,726	6,758	12,274	12,874
Preference shareholders of the Parent		1,152	892	1,484	1,688
Non-controlling interest		1	83	115	191
		9,879	7,733	13,873	14,753
EARNINGS PER SHARE					
Basic and diluted (KZT)	9	11.22	8.69	15.78	16.55

On behalf of the Management Board of the Bank:

Auezov M.M.  
Acting Chairperson of the Board

22 September 2014  
Almaty

Sudarikova N.V.  
Acting Chief Accountant

22 September 2014  
Almaty

The notes on pages 10-31 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
<b>NET PROFIT FOR THE PERIOD</b>	<u>9,879</u>	<u>7,733</u>	<u>13,873</u>	<u>14,753</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Net loss resulting on revaluation of property	(63)	(18)	(10)	(13)
Income tax	<u>26</u>	<u>7</u>	<u>26</u>	<u>7</u>
	<u>(37)</u>	<u>(11)</u>	<u>16</u>	<u>(6)</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	1,870	(638)	4,105	(1,166)
Net gain/(loss) resulting on revaluation of available-for-sale investments during the period	24	(257)	(74)	(5)
Reclassification adjustment relating to available-for-sale investments disposed of in the period	27	(12)	60	(71)
Net (loss)/gain on cash flows hedges	(41)	(34)	(81)	462
Income tax	<u>48</u>	<u>46</u>	<u>23</u>	<u>(100)</u>
	<u>1,928</u>	<u>(895)</u>	<u>4,033</u>	<u>(880)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX</b>	<u>1,891</u>	<u>(906)</u>	<u>4,049</u>	<u>(886)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>11,770</u></u>	<u><u>6,827</u></u>	<u><u>17,922</u></u>	<u><u>13,867</u></u>
Attributable to:				
Ordinary shareholders of the Parent	10,806	5,976	15,765	12,128
Preference shareholders of the Parent	959	768	2,033	1,570
Non-controlling interest	<u>5</u>	<u>83</u>	<u>124</u>	<u>169</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>11,770</u></u>	<u><u>6,827</u></u>	<u><u>17,922</u></u>	<u><u>13,867</u></u>

On behalf of the Management Board of the Bank:

Auezov M.M.  
Acting Chairperson of the Board

22 September 2014  
Almaty



Sudarikova N.V.  
Acting Chief Accountant

22 September 2014  
Almaty

The notes on pages 10-31 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 (UNAUDITED)

	Notes	30 June 2014 (unaudited) (KZT million)	31 December 2013 (KZT million)
<b>ASSETS:</b>			
Cash and balances with national (central) banks	10	207,691	191,687
Precious metals		3,012	2,491
Financial assets at fair value through profit or loss	11	191,029	121,855
Loans and advances to banks and other financial institutions	18	263,190	139,743
Loans to customers	12, 18	2,606,486	1,900,993
Bonds of JSC National Welfare Fund Samruk-Kazyna		659,116	-
Investments available-for-sale		56,258	21,249
Investments held to maturity		6,055	6,503
Investments in associates		12,408	-
Goodwill		998	-
Investment property		58,169	38,849
Property, equipment and intangible assets		43,539	32,688
Deferred income tax assets	8	988	1,730
Other assets		232,527	128,504
<b>TOTAL ASSETS</b>		<b>4,341,466</b>	<b>2,586,292</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Loans and advances from banks and other financial institutions	13, 18	595,246	97,955
Customer accounts	14, 18	2,459,140	1,682,035
Financial liabilities at fair value through profit or loss	11	22,106	2,296
Debt securities issued	15	365,149	253,311
Other borrowed funds	16	211,964	15,437
Provisions		51,069	19,811
Dividends payable		480	6
Other liabilities		50,945	18,074
		3,756,099	2,088,925
Subordinated debt		122,431	125,160
<b>Total liabilities</b>		<b>3,878,530</b>	<b>2,214,085</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		9,003	8,999
Share premium reserve		194,687	194,676
Property and equipment revaluation reserve		5,391	5,779
Other reserves		179,236	161,050
<b>Total equity attributable to equity holders of the Parent</b>		<b>388,317</b>	<b>370,504</b>
Non-controlling interest		74,619	1,703
<b>Total equity</b>		<b>462,936</b>	<b>372,207</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,341,466</b>	<b>2,586,292</b>

On behalf of the Management Board of the Bank:

Auezov M.Ye.  
Acting Chairperson of the Board

22 September 2014  
Almaty

Sudarikova N.V.  
Acting Chief Accountant

22 September 2014  
Almaty

The notes on pages 10-31 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit <sup>1</sup>	Cumulative translation reserve <sup>1</sup>	Hedging reserve <sup>1</sup>	Statutory reserves <sup>1*</sup>	Retained earnings <sup>1</sup>	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>31 December 2012</b>	9,044	(36)	194,721	5,808	(98)	121	591	802	108,001	318,954	1,315	320,269
Net profit	-	-	-	-	-	-	-	-	14,562	14,562	191	14,753
Other comprehensive (loss)/income	-	-	-	(5)	(84)	(1,144)	369	-	-	(864)	(22)	(886)
Total comprehensive (loss)/income	-	-	-	(5)	(84)	(1,144)	369	-	14,562	13,698	169	13,867
Transfer to statutory reserve	-	-	-	-	-	-	-	4,302	(4,302)	-	-	-
Sale/(repurchase) of treasury shares	-	1	(34)	-	-	-	-	-	-	(33)	-	(33)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(144)	-	-	-	-	144	-	-	-
<b>30 June 2013 (unaudited)</b>	<u>9,044</u>	<u>(35)</u>	<u>194,687</u>	<u>5,659</u>	<u>(182)</u>	<u>(1,023)</u>	<u>960</u>	<u>5,104</u>	<u>118,405</u>	<u>332,619</u>	<u>1,484</u>	<u>334,103</u>

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit <sup>1</sup>	Cumulative translation reserve <sup>1</sup>	Hedging reserve <sup>1</sup>	Retained earnings <sup>1</sup>	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2013	9,044	(45)	194,676	5,779	(153)	(808)	901	161,110	370,504	1,703	372,207
Net profit	-	-	-	-	-	-	-	13,758	13,758	115	13,873
Other comprehensive income/(loss)	-	-	-	16	(7)	4,096	(65)	-	4,040	9	4,049
Total comprehensive income/(loss)	-	-	-	16	(7)	4,096	(65)	13,758	17,798	124	17,922
Sale of treasury shares	-	4	11	-	-	-	-	-	15	-	15
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(404)	-	-	-	404	-	-	-
Increase in non-controlling interest as a result of acquisition	-	-	-	-	-	-	-	-	-	73,844	73,844
Decrease in non-controlling interest as a result of dividend payment	-	-	-	-	-	-	-	-	-	(1,052)	(1,052)
30 June 2014 (unaudited)	9,044	(41)	194,687	5,391	(160)	3,288	836	175,272	388,317	74,619	462,936

<sup>1</sup> The amounts included within the Investments available-for-sale fair value deficit, Cumulative translation reserve, Hedging reserve, Statutory reserves and Retained earnings, in the above table, are included within "Other reserves" in the interim consolidated statement of financial position.

\*Statutory reserve was cancelled by NBRK effective from 1 January 2013.

On behalf of the Management Board of the Bank:

Auezov M.M.  
Acting Chairperson of the Board

22 September 2014  
Almaty

Sudarikova N.V.  
Acting Chief Accountant

22 September 2014  
Almaty

The notes on pages 10-31 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received on loans and advances to banks and other financial institutions	772	716
Interest received from financial assets at fair value through profit or loss	2,830	3,403
Interest received from loans to customers	77,836	79,169
Interest received from investments available-for-sale	945	458
Interest received from investments held to maturity	189	138
Interest paid on loans and advances from banks and other financial institutions	(2,750)	(1,168)
Interest paid on customer accounts	(39,988)	(37,800)
Interest paid on debt securities issued	(15,277)	(14,979)
Interest paid on other borrowed funds	(484)	(596)
Interest paid on subordinated debt	(3,754)	(3,599)
Fee and commission received	15,011	14,828
Fee and commission paid	(5,544)	(4,386)
Other income received	516	6,398
Operating expenses paid	(15,818)	(14,485)
Cash inflow from operating activities before changes in operating assets and liabilities	14,484	28,097
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan	(6,483)	(4,780)
Funds deposited with Central Bank of the Russian Federation	(195)	927
Funds deposited with National Bank of the Kyrgyz Republic	(9)	(41)
Funds deposited with National Bank of Tajikistan	(19)	(39)
Precious metals	(522)	1,249
Financial assets at fair value through profit or loss	(2,471)	(20,372)
Loans and advances to banks and other financial institutions	38,293	2,895
Loans to customers	(19,879)	(4,434)
Other assets	6,626	(20,375)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(4,790)	(8,608)
Customer accounts	56,272	233,040
Other liabilities	4,433	12,972
Cash inflow from operating activities before taxation	85,740	220,531
Income tax paid	(3,332)	(1,159)
Net cash inflow from operating activities	82,408	219,372

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, equipment and intangible assets	(1,766)	(1,996)
Proceeds on sale of property, equipment and intangible assets	328	14
Dividends received	1,273	252
Proceeds on acquisition of subsidiary	20,595	-
Proceeds on sale of investments available-for-sale	10,044	3,511
Purchase of investments available-for-sale	(9,455)	(6,411)
Purchase of investment property	(15,789)	-
Purchase of investments held to maturity	-	(252)
Proceeds on maturity of investments held to maturity	912	180
Net cash inflow/(outflow) from investing activities	6,142	(4,702)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repurchase of treasury shares	-	(33)
Sale of treasury shares	15	-
Proceeds from debt securities issued	115	1,486
Repurchase and repayment of debt securities issued	(35,990)	(50,085)
Proceeds from other borrowed funds	20,000	-
Repayment of other borrowed funds	(1,706)	(1,421)
Payment of dividends	(1,499)	-
Net cash outflow from financing activities	(19,065)	(50,053)
Effect of changes in foreign exchange rate on cash and cash equivalents	24,429	930
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,914	165,547
CASH AND CASH EQUIVALENTS, beginning of period (Note 10)	274,985	188,932
CASH AND CASH EQUIVALENTS, end of period (Note 10)	368,899	354,479

On behalf of the Management Board of the Bank:

Auezov M.M.  
Acting Chairperson of the Board

22 September 2014  
Almaty



Sudarikova N.V.  
Acting Chief Accountant

22 September 2014  
Almaty

The notes on pages 10-31 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

### 1. ORGANIZATION

Joint Stock Company (“JSC”) Kazkommertsbank (“the Bank”, or “Kazkommertsbank”) is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank’s activities are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”) and by the Committee for the control and supervision of financial market and financial organizations of the NBRK (“the FMSC”) in accordance with the license № 48 dated 27 December 2007. The Bank’s primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin Str., Almaty, 050060, the Republic of Kazakhstan.

As at 30 June 2014 and 31 December 2013, the Bank had 23 branches in the Republic of Kazakhstan.

Kazkommertsbank is the Parent company of the banking group (“the Group”) which consists of the following companies consolidated in the financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		30 June 2014 (unaudited)	31 December 2013	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card processing and other related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM GRANTUM Asset Management	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Life Insurance Company	Republic of Kazakhstan	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Banking
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	Insurance
OJSC Commercial Bank Moskommertsbank	Russian Federation	100%	100%	Banking
KUSA-KKB-1 LLP	Republic of Kazakhstan	100%	-	Management of stress assets
KUSA KKB-2 LLP	Republic of Kazakhstan	100%	-	Management of stress assets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	95.75%	Banking
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund
JSC BTA Bank and related subsidiaries*	Republic of Kazakhstan	46.50%/50.76%	-	Banking

\*JSC BTA Bank prepared interim condensed consolidated financial information for the six months ended 30 June 2014 which is publicly available.

On 30 June 2014, the Bank and Mr. Kenes Rakishev, each purchased a 46.5% equity stake in JSC BTA Bank from JSC National Welfare Fund Samruk-Kazyna (“JSC NWF Samruk-Kazyna”). Meanwhile, JSC NWF Samruk-Kazyna transferred its remaining 4.26% in JSC BTA Bank to the Bank under a Trust Agreement providing the Bank with over 50% of the voting rights and operational control of JSC BTA Bank.

Acquisition cost of JSC BTA Bank is as follows:

	<b>Carrying value 30 June 2014 (unaudited) (KZT million)</b>	<b>Fair value 30 June 2014 (unaudited) (KZT million)</b>
<b>Assets</b>		
Cash and balances with national (central) banks	39,367	39,367
Financial assets at fair value through profit or loss	60,677	60,711
Loans and advances to banks and other financial institutions	56,873	60,676
Loans to customers	607,619	527,917
Bonds of JSC NWF Samruk-Kazyna	656,216	659,116
Investments available-for-sale	35,319	35,317
Investments in associates	12,408	12,408
Goodwill	998	998
Property, equipment and intangible assets	10,768	10,768
Other assets	98,220	98,220
	<b>1,578,465</b>	<b>1,505,498</b>
<b>Liabilities</b>		
Loans and advances from banks and other financial institutions	497,740	498,478
Customer accounts	547,085	548,786
Derivative financial instruments	10,426	10,426
Debt securities issued	87,773	105,973
Other borrowed funds	129,529	146,492
Provisions	30,475	30,475
Deferred tax liabilities	214	214
Dividends payable	10	10
Other liabilities	28,043	28,043
	<b>1,331,295</b>	<b>1,368,897</b>
Net assets		136,601
Non-controlling interest		74,149
Net assets acquired as above		136,601
Less: non-controlling interest in subsidiaries of JSC BTA Bank		(2,296)
Net assets attributable to acquisition		134,305
Net acquired assets, 46.5%		62,452
Consideration transferred		(62,452)
The excess of Bank's share in cost of acquired net assets of BTA Bank over consideration transferred		-

Consideration transferred:

	<b>JSC BTA Bank (unaudited) (KZT million)</b>
Consideration paid	31,000
Consideration payable	31,452
Total	62,452

Net cash inflow on acquisition of subsidiary:

	<b>JSC BTA Bank (unaudited) (KZT million)</b>
Consideration paid in cash	31,000
Less: cash and cash equivalent balances acquired	<u>(51,595)</u>
	<u>(20,595)</u>

The non-controlling ownership interest (53.5%) in JSC BTA Bank recognised at the acquisition date was measured by reference to the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets and amounted to KZT 74,149 million.

The initial accounting for the acquisition of JSC BTA Bank has been determined at the end of the reporting period, based on the market value information available during the preparation of this financial information.

The loans acquired (to customers and to banks) had fair value of KZT 527,917 million and KZT 60,676 million, respectively, and gross contractual amounts of KZT 3,403,990 million and KZT 66,433 million, respectively. The best estimate at acquisition date of the amounts expected not to be collected on these contractual cash flows is KZT 2,796,371 million and KZT 9,560 million, respectively.

## **2. BASIS OF PRESENTATION**

### **Accounting basis**

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements and with selective notes to the consolidated financial statements of the Group for the year ended 31 December 2013.

The preparation of the interim condensed consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

The interim condensed consolidated financial information reflects all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the financial information are of a normal, recurring nature. Because the results from common banking activities are closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

### **Functional currency**

Items included in the financial statements 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 reporting currency of this interim condensed consolidated financial information is the Kazakhstan tenge ("KZT").

### **3. SIGNIFICANT ACCOUNTING POLICIES**

In preparing this interim condensed consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2013. There were no changes in accounting policies during the six months ended 30 June 2014, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

#### **New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as at 1 January 2014, which are relevant for interim financial reporting.

#### **IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendment)**

These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

#### **IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)**

These amendments have no impact on the Group.

#### **IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)**

These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

#### **IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendment)**

These amendments have no impact on the Group.

#### **IFRIC 21 Levies**

The interpretation is applicable to all payments imposed by governments under legislation, other than outflows that are within the scope of other standards (such as income taxes within the scope of IAS 12) and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date. The same principles should be applied in interim financial information. There was no effect of the interpretation on these financial information.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

#### 4. NET INTEREST INCOME

	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
<b>Interest income comprises:</b>				
Interest income on financial assets recorded at amortized cost:				
- interest income on homogenous and individually assessed watch assets	53,900	49,887	96,807	96,707
- interest income on impaired financial assets	1,792	230	7,203	2,776
- interest income on unimpaired financial assets	6,165	4,758	12,409	11,765
Interest income on financial assets at fair value through profit or loss	1,249	1,502	2,476	2,978
Interest income on investments available-for-sale	349	189	349	403
<b>Total interest income</b>	<b>63,455</b>	<b>56,566</b>	<b>119,244</b>	<b>114,629</b>
Interest income on financial assets recorded at amortized cost comprises:				
Interest on loans to customers	61,428	54,497	115,426	110,302
Interest on loans and advances to banks and other financial institutions	344	324	817	831
Interest on investments held to maturity	85	54	176	115
Total interest income on financial assets recorded at amortized cost	61,857	54,875	116,419	111,248
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	1,249	1,502	2,476	2,978
Total interest income on financial assets at fair value through profit or loss	1,249	1,502	2,476	2,978
Interest income on investments available-for-sale	349	189	349	403
<b>Total interest income</b>	<b>63,455</b>	<b>56,566</b>	<b>119,244</b>	<b>114,629</b>
<b>Interest expense comprises:</b>				
Interest expense on financial liabilities recorded at amortized cost	29,259	26,950	57,725	54,881
<b>Total interest expense</b>	<b>29,259</b>	<b>26,950</b>	<b>57,725</b>	<b>54,881</b>
Interest expense on financial liabilities recorded at amortized cost comprises:				
Interest on customer accounts	20,408	18,601	39,300	37,162
Interest on debt securities issued	5,076	5,068	10,473	10,925
Interest on subordinated debt	1,811	2,209	3,963	4,384
Interest on loans and advances from banks and other financial institutions	1,468	621	3,000	1,487
Preference share dividends	221	178	447	351
Other interest expense	275	273	542	572
Total interest expense on financial liabilities recorded at amortized cost	29,259	26,950	57,725	54,881
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>34,196</b>	<b>29,616</b>	<b>61,519</b>	<b>59,748</b>

## 5. ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

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

	<b>Loans and advances to banks and other financial institutions (KZT million)</b>	<b>Loans to customers (KZT million) (Note 12)</b>	<b>Investments available-for- sale (KZT million)</b>	<b>Investments held to maturity (KZT million)</b>	<b>Total (KZT million)</b>
31 March 2013 (unaudited)	127	920,316	147	-	920,590
Additional provision recognized	23	19,762	39	-	19,824
Write-off of assets	-	(2,357)	-	-	(2,357)
Foreign exchange difference	1	2,608	-	-	2,609
30 June 2013 (unaudited)	<u>151</u>	<u>940,329</u>	<u>186</u>	<u>-</u>	<u>940,666</u>
31 March 2014 (unaudited)	196	1,100,814	186	-	1,101,196
(Recovery of provision)/additional provision recognized	(21)	17,607	-	-	17,586
Write-off of assets	-	(81,557)	(42)	-	(81,599)
Foreign exchange difference	-	6,767	-	-	6,767
Acquisition of JSC BTA Bank	<u>9,560</u>	<u>2,796,371</u>	<u>-</u>	<u>54,648</u>	<u>2,860,579</u>
30 June 2014 (unaudited)	<u>9,735</u>	<u>3,840,002</u>	<u>144</u>	<u>54,648</u>	<u>3,904,529</u>
31 December 2012	280	923,287	186	-	923,753
(Recovery of provision)/additional provision recognized	(130)	37,631	-	-	37,501
Write-off of assets	-	(22,725)	-	-	(22,725)
Foreign exchange difference	1	2,136	-	-	2,137
30 June 2013 (unaudited)	<u>151</u>	<u>940,329</u>	<u>186</u>	<u>-</u>	<u>940,666</u>
31 December 2013	171	978,753	186	-	979,110
(Recovery of provision)/additional provision recognized	(21)	27,381	-	-	27,360
Write-off of assets	-	(83,533)	(42)	-	(83,575)
Foreign exchange difference	25	121,030	-	-	121,055
Acquisition of JSC BTA Bank	<u>9,560</u>	<u>2,796,371</u>	<u>-</u>	<u>54,648</u>	<u>2,860,579</u>
30 June 2014 (unaudited)	<u>9,735</u>	<u>3,840,002</u>	<u>144</u>	<u>54,648</u>	<u>3,904,529</u>

## 6. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:				
Realized gain on trading operations	24	17	40	264
Unrealized gain/(loss) on fair value adjustment	634	(84)	(238)	931
Net (loss)/gain on operations with derivative financial instruments	(216)	2,913	(3,480)	(2,762)
	<u>442</u>	<u>2,846</u>	<u>(3,678)</u>	<u>(1,567)</u>

## 7. OPERATING EXPENSES

	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
Staff costs	4,474	4,156	8,726	8,411
Taxes, other than income tax	791	444	1,383	843
Depreciation and amortization	723	809	1,471	1,539
Lease	605	545	1,116	1,064
Property and equipment maintenance	506	630	1,033	1,171
Security	227	233	420	437
Bank card services	220	219	448	425
Advertising costs	220	259	348	513
Communications costs	161	176	322	329
Expenses on repossessed assets	141	79	234	130
Legal services	79	54	222	90
Other expenses	983	678	1,566	1,105
	<u>9,130</u>	<u>8,282</u>	<u>17,289</u>	<u>16,057</u>

## 8. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate; such tax accounts may differ from IFRS.

Relationships between tax expenses and accounting profit for the three and the six months ended 30 June 2014 and 30 June 2013 are explained as follows:

	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
Profit before income tax	12,617	9,168	17,783	17,995
Tax at the statutory tax rate (20%)	2,524	1,834	3,557	3,599
Tax effect of permanent differences:				
- tax exempt income	(673)	(1,130)	(1,477)	(2,185)
- non-deductible expense	887	731	1,830	1,828
Income tax expense	2,738	1,435	3,910	3,242
Current income tax expense/(benefit)	2,988	(1,139)	3,330	1,159
Deferred income tax (benefit)/expense	(250)	2,574	580	2,083
Income tax expense	2,738	1,435	3,910	3,242

The corporate income tax rate in the Republic of Kazakhstan was 20% during the six months ended 30 June 2014 and 2013.

	Six months ended 30 June 2014 (unaudited) (KZT million)	Year ended 31 December 2013 (KZT million)
<b>Deferred income tax assets</b>		
As at beginning of the period	(1,730)	(4,220)
Decrease of deferred tax asset recognized in the statement of profit or loss	580	2,413
Change in hedging reserve	(16)	78
Change in available-for-sale reserve	(7)	(7)
Change in deferred tax liability from revaluation of property and equipment	(26)	6
Other	(3)	
Acquisition of JSC BTA Bank (Note 1)	214	-
As at end of the period	(988)	(1,730)

## 9. EARNINGS PER SHARE

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

Dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Three months ended 30 June 2014 (unaudited) (KZT million)	Three months ended 30 June 2013 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2013 (unaudited) (KZT million)
<b>Basic and diluted earnings per share</b>				
Net profit attributable to equity holders of the Parent	9,878	7,650	13,758	14,562
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	<u>(1,152)</u>	<u>(892)</u>	<u>(1,484)</u>	<u>(1,688)</u>
Net profit attributable to ordinary shareholders	8,726	6,758	12,274	12,874
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>777,877,191</u>	<u>777,909,898</u>	<u>777,866,015</u>	<u>777,824,902</u>
<b>Earnings per share – basic and diluted (KZT)</b>	<u><u>11.22</u></u>	<u><u>8.69</u></u>	<u><u>15.78</u></u>	<u><u>16.55</u></u>

The book value per share for each type of shares as at 30 June 2014 and 31 December 2013 is as follows:

Type of shares	Outstanding shares	30 June 2014 (unaudited)	Book value per share, KZT	31 December 2013		
		Net asset value* (KZT million)		Outstanding shares	Net asset value* (KZT million)	Book value per share, KZT
Ordinary shares	777,908,693	453,517	583.00	777,777,907	363,958	467.95
Preference shares	122,416,320	<u>14,946</u>	122.09	122,135,445	<u>13,097</u>	107.24
		<u><u>468,463</u></u>			<u><u>377,055</u></u>	

\*Net assets for the calculation of the book value of ordinary shares are calculated as the total assets of the Group, reduced by the amount of intangible assets, total liabilities, the amount of the share capital, attributable to the preference shares. The carrying value of the preference shares equals to the sum of share capital attributable to preference shares, the amount of accrued and unpaid dividends on the preference shares and debt component of preference shares, which is recorded in liabilities of the Group.

The number of outstanding ordinary and preferred shares is calculated net of treasury shares.

According to amendments enacted to the Kazakhstan Stock Exchange (“the KASE”) Listing Rules effective from 25 August 2010, listed companies are required to present book value per share (ordinary and preferred) in their financial statements. The Management of the Group believes that the book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

###### 10. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	<b>30 June 2014 (unaudited) (KZT million)</b>	<b>31 December 2013 (KZT million)</b>
Cash on hand	78,060	46,339
Balances with the national (central) banks	129,631	145,348
	<u>207,691</u>	<u>191,687</u>

Cash and cash equivalents for the purposes of the interim consolidated statement of cash flows are comprised of the following:

	<b>30 June 2014 (unaudited) (KZT million)</b>	<b>31 December 2013 (KZT million)</b>	<b>30 June 2013 (unaudited) (KZT million)</b>
Cash and balances with national (central) banks	207,691	191,687	307,305
Loans and advances to banks with original maturities less than 3 months	207,606	115,030	83,060
REPO with banks with original maturity of less than 3 months	14,154	10,590	9,031
Less funds deposited with the National Bank of the Republic of Kazakhstan	(57,896)	(40,003)	(42,586)
Less funds deposited with the Central Bank of the Russian Federation	(2,297)	(2,102)	(2,047)
Less funds deposited with the National Bank of the Kyrgyz Republic	(148)	(139)	(174)
Less funds deposited with the National Bank of Tajikistan	(97)	(78)	(110)
Less funds deposited with the National Bank of Belarus	(114)	-	-
	<u>368,899</u>	<u>274,985</u>	<u>354,479</u>

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

Financial assets at fair value through profit or loss comprise:

	<b>30 June 2014 (unaudited) (KZT million)</b>	<b>31 December 2013 (KZT million)</b>
Debt securities	119,246	99,934
Equity investments	47,546	5,337
Derivative financial instruments	24,237	16,584
	<u>191,029</u>	<u>121,855</u>

The financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	30 June 2014 (unaudited)		31 December 2013	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
<b>Debt securities:</b>				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.30-8.75	76,108	3.30-8.75	74,242
Treasury bonds of the USA	0.38-8.13	9,406	0.25	7,689
Bonds of Russian companies	7.00-14.00	8,401	4.20-13.50	7,475
Bonds of Kazakhstani banks	6.00-13.00	7,938	7.00-9.70	707
Bonds of Kazakhstani companies	5.00-13.00	4,371	6.00-9.20	2,494
Eurobonds of Kazakhstani companies	4.63-9.13	3,389	5.75-9.13	1,395
Bonds of Russian banks	8.00-10.00	2,148	6.90-10.15	2,919
Eurobonds of Kazakhstani banks	5.95-9.88	2,131	7.25-9.50	1,080
Municipal bonds of the Russian Federation	11.00	2,011	8.35	1,717
Bonds of Development Bank of Kazakhstan	6.00-6.50	1,352	6.50	165
Municipal bonds of the Republic of Kazakhstan	6.20	611	-	-
Other bonds of foreign issuers	7.88	442	-	-
Treasury promissory notes of the Ministry of Finance of Canada	9.00	427	-	-
Eurobonds of Russian banks	6.13	182	-	-
State bonds of non-OECD countries	12.50	138	-	-
Bonds of federal debt of the Ministry of Finance of the Russian Federation	7.88	138	-	-
Bonds of international financial organizations, foreign banks and foreign financial organizations	10.41	53	2.82	51
		<u>119,246</u>		<u>99,934</u>
	30 June 2014 (unaudited)		31 December 2013	
	Ownership share %*	Amount (KZT million)	Ownership share %*	Amount (KZT million)
<b>Equity investments:</b>				
GDRs of Kazakhstani companies	1.97	21,484	-	26
Shares of foreign companies	10.82	19,829	-	-
Shares of Kazakhstani companies*	0.00-3.08	5,522	0.00-3.08	5,311
Shares of Kazakhstani banks*	0.00-1.18	365	-	-
Shares of foreign companies*	0.00-0.02	346	-	-
		<u>47,546</u>		<u>5,337</u>

\*Ownership interest in equity securities is below 1%, if not indicated otherwise.

As at 30 June 2014, the fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT 83,427 million (31 December 2013: KZT 75,380 million).

	Notional amount	30 June 2014 (unaudited) Fair value (KZT million)		Notional amount	31 December 2013 Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
<b>Derivative financial instruments:</b>						
<i>Foreign exchange contracts:</i>						
Swaps	224,457	14,565	(1,806)	222,346	16,552	(1,619)
Spot	10,295	109	(111)	11,423	7	(19)
Option	1,527	393	-	-	-	-
Forwards	-	-	-	3,312	25	(22)
<i>Interest rate contracts:</i>						
Swaps	5,164	-	(594)	6,632	-	(636)
<i>Other:</i>						
Forwards on securities	9,403	-	(10,425)	-	-	-
Spot on sale of securities	-	9,170	(9,170)	-	-	-
		<u>24,237</u>	<u>(22,106)</u>		<u>16,584</u>	<u>(2,296)</u>

As at 30 June 2014, the Group used quoted market prices from independent information sources to value all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models based on non-observable market data.

## 12. LOANS TO CUSTOMERS

	30 June 2014 (unaudited) (KZT million)	31 December 2013 (KZT million)
<b>Recorded as loans and receivables:</b>		
Originated loans	6,438,820	2,872,468
Net investments in finance lease	<u>7,668</u>	<u>7,278</u>
	6,446,488	2,879,746
Less allowance for impairment losses	<u>(3,840,002)</u>	<u>(978,753)</u>
	<u>2,606,486</u>	<u>1,900,993</u>

Movements in allowances for impairment losses on loans to customers for the six months ended 30 June 2014 and 2013 are disclosed in Note 5.

	<b>30 June 2014 (unaudited) (KZT million)</b>	<b>31 December 2013 (KZT million)</b>
<b>Analysis by sector:</b>		
Housing construction	613,187	513,668
Individuals	455,231	270,550
Commercial real estate construction	337,254	298,337
Wholesale and retail trade	183,755	120,924
Real estate	181,805	127,343
Hospitality business	150,104	135,565
Production of other non-metal materials	134,374	112,971
Industrial and other construction	79,817	40,599
Energy	67,188	40,325
Transport and communication	65,438	40,660
Mining and metallurgy	55,435	11,261
Investments and finance	44,776	43,382
Agriculture	26,597	8,936
Food industry	17,930	12,562
Machinery construction	10,412	3,481
Medicine	8,413	7,835
Production of construction materials	7,961	17,885
Other	166,809	94,709
	<u>2,606,486</u>	<u>1,900,993</u>

As at 30 June 2014, the Bank accepted issued bonds and eurobonds (previously issued by subsidiary Kazkommerts Finance II B.V.) as collateral on loans to customers with a fair value of KZT 1 million (31 December 2013: KZT 1 million).

During the six months ended 30 June 2014 and year ended 31 December 2013, the Group received non-financial assets by taking possession of collateral it held as security in the amount of KZT 16,498 million and KZT 67,207 million, respectively. As at 30 June 2014, such assets in the amount of KZT 95,360 million (31 December 2013: KZT 83,856 million) are included in the other assets. These assets are represented mostly by real estate the majority of which will be realized through auctions.

As at 30 June 2014, the Group granted loans to borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 881,317 million (31 December 2013: KZT 827,114 million).

### 13. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>30 June 2014 (unaudited) (KZT million)</b>	<b>31 December 2013 (KZT million)</b>
<b>Recorded at amortized cost:</b>		
Correspondent accounts of other banks	4,914	3,759
Correspondent accounts of organizations that serve certain types of banking operations	501	558
Loans from banks and other financial institutions	34,118	18,661
Deposits with banks	29	1
Loans under repurchase agreements	555,684	74,976
	<u>595,246</u>	<u>97,955</u>

The fair value of collateral held and carrying value of loans under repurchase agreements as at 30 June 2014 and 31 December 2013 are presented as follows:

	<b>30 June 2014</b> <b>(unaudited)</b> <b>(KZT million)</b>		<b>31 December 2013</b> <b>(KZT million)</b>	
	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>	<b>Fair value of collateral</b>	<b>Carrying value of loans</b>
Bonds of JSC NWF Samruk Kazyna	501,600	477,855	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	65,878	61,268	65,113	60,342
Bonds of foreign companies	11,685	10,899	10,579	9,142
Bonds of foreign banks	3,363	3,179	3,967	3,410
Municipal bonds of the Russian Federation	1,990	1,960	1,704	1,625
Bonds of Ministry of Finance of the Russian Federation	511	523	457	457
	<u>585,027</u>	<u>555,684</u>	<u>81,820</u>	<u>74,976</u>

#### 14. CUSTOMER ACCOUNTS

	<b>30 June 2014</b> <b>(unaudited)</b> <b>(KZT million)</b>	<b>31 December 2013</b> <b>(KZT million)</b>
<b>Recorded at amortized cost:</b>		
Time deposits	1,841,915	1,247,918
Demand deposits	612,520	431,626
Accounts in precious metals	3,005	2,491
Other	1,700	-
	<u>2,459,140</u>	<u>1,682,035</u>

As at 30 June 2014, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 11,508 million (31 December 2013: KZT 11,314 million).

	<b>30 June 2014</b> <b>(unaudited)</b> <b>(KZT million)</b>	<b>31 December 2013</b> <b>(KZT million)</b>
<b>Analysis by sector:</b>		
Individuals	1,054,651	683,729
Chemical and petrochemical industry	310,755	311,554
Public organizations and unions	213,584	162,672
Government related entities	207,302	65,411
Education	96,983	50,283
Transport and communication	89,699	66,392
Agriculture	87,014	46,811
Wholesale and retail trade	74,710	49,216
Construction	54,712	42,645
Individual services	54,614	42,170
Investments and finance	49,667	53,322
Distribution of electricity, gas and water	48,516	50,562
Mining and metallurgy	22,766	14,128
Other	94,167	43,140
	<u>2,459,140</u>	<u>1,682,035</u>

## 15. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 June 2014 (unaudited) (KZT million)	31 December 2013 (KZT million)
<b>Recorded at amortized cost:</b>					
Eurobonds:					
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.88	-	29,583
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	49,540	42,113
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	52,905	44,641
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	93,360	78,986
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	53,703	45,940
				<u>249,508</u>	<u>241,263</u>
(Less)/including:					
Discount on Eurobonds issued				(1,518)	(1,505)
Accrued interest on Eurobonds issued				<u>4,000</u>	<u>6,664</u>
Total issued Eurobonds				251,990	246,422
Issued at the price of 102.21%-104.48%	KZT	April 2016	9.00	2,413	2,423
Issued promissory notes of OJSC Moskommertsbank	USD, EUR, RUR	June 2017	2.50-12.00	1,135	865
Issued bonds of Moscow Stars B.V. at the price of 99.00%	USD	January 2022	1.91-5.41	3,791	3,601
Debt securities issued of JSC BTA Bank	USD, KZT	December 2022	4.60-7.50	<u>105,820</u>	<u>-</u>
				<u>365,149</u>	<u>253,311</u>

During the six months ended 30 June 2014, the Bank did not repurchase debt securities issued. During 2013, the Bank repurchased debt securities issued with nominal amount of KZT 5,224 million.

During the six months ended 30 June 2014, the Bank did not sell debt securities issued. During 2013, the Bank sold debt securities issued in the nominal amount of KZT 1,056 million.

On 7 April 2014, the Bank repaid eurobonds issued in April 2004 with an initial nominal amount of USD 400 million. The repayment of the eurobonds issued was made fully from the funds of the Bank.

## 16. OTHER BORROWED FUNDS

	Currency	Maturity	30 June 2014 (unaudited) (KZT million)	31 December 2013 (KZT million)
Loans from JSC National Welfare Fund Samruk-Kazyna	KZT	December 2024	166,155	-
Loans from JSC Entrepreneurship Development Fund "Damu"	KZT	April 2034	42,639	14,640
Loans from JSC Kazakhstan Mortgage Company	KZT	March 2029	2,425	-
Loans from Private Export Funding Corporation	USD	April 2017	<u>745</u>	<u>797</u>
			<u>211,964</u>	<u>15,437</u>

## 17. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 30 June 2014, provision for losses on guarantees and other contingencies amounted to KZT 3,162 million (31 December 2013: KZT 4,156 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the standardized approach provided for under Basel 2 standards.

As at 30 June 2014, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 70,747 million (31 December 2013: KZT 47,034 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 30 June 2014 and 31 December 2013, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2014 (unaudited) (KZT million)	31 December 2013 (KZT million)
<b>Contingent liabilities and credit commitments:</b>		
Guarantees issued and similar commitments	75,112	57,465
Commitments on loans and unused credit lines	11,931	10,923
Letters of credit and other transaction related to contingent obligations	16,861	10,040
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	23	24
	<u>103,927</u>	<u>78,452</u>
Less collateral in cash	(11,508)	(11,314)
Less provision for guarantees and other contingencies, originated from acquisition of JSC BTA Bank	(1,164)	-
Less provision for guarantees and other contingencies	<u>(1,998)</u>	<u>(4,156)</u>
Total contingent liabilities and credit commitments, net	<u>89,257</u>	<u>62,982</u>
Total risk-weighted amount	<u>78,874</u>	<u>56,447</u>

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 30 June 2014, the amount of contingent liabilities on such unused credit lines equals to KZT 337,080 million (31 December 2013: KZT 319,172 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit for any reason including in case: the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

**Legal proceedings**

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this interim condensed consolidated financial information.

**Taxation**

Commercial legislation of the 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 valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all probable tax amounts due. Income tax related provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

**Operating environment**

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly, tax and regulatory framework are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

## 18. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24, Related Party Disclosures.

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	30 June 2014 (unaudited) (KZT million)		31 December 2013 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Loans and advances to banks and other financial institutions, before the allowance</b>	10,505	272,925	-	139,914
<i>- associates</i>	10,505			
<b>Allowance for impairment losses on loans and advances to banks and other financial institutions</b>	(2,668)	(9,735)	-	(171)
<i>- associates</i>	(2,668)			
<b>Loans to customers, before the allowance</b>	20	6,446,488	1,059	2,879,746
<i>- key management personnel of the entity or its parent</i>	20		1,059	
<b>Allowance for impairment losses on loans to customers</b>	(4)	(3,840,002)	(116)	(978,753)
<i>- key management personnel of the entity or its parent</i>	(4)		(116)	
<b>Loans and advances from banks and other financial institutions</b>	40	595,246	-	97,955
<i>- associates</i>	40			
<b>Customer accounts</b>	5,494	2,459,140	5,152	1,682,035
<i>- parent company</i>	1,939		1,609	
<i>- entities with joint control or significant influence over the entity</i>	3,478		275	
<i>- key management personnel of the entity or its parent</i>	77		3,237	
<i>- other related parties</i>	-		31	
<b>Commitments on loans and unused credit limits</b>	116	11,931	134	10,923
<i>- key management personnel of the entity or its parent</i>	116		134	

As at 30 June 2014, there were no contingent liabilities on unused credit lines of related parties. As at 31 December 2013, the amount of contingent liabilities on unused credit lines of related parties was equal to KZT 6 million.

Included in the interim consolidated statement of profit or loss for the six months ended 30 June 2014 and 2013 are the following amounts which arose due to transactions with related parties:

	<b>Six months ended 30 June 2014 (unaudited) (KZT million)</b>		<b>Six months ended 30 June 2013 (unaudited) (KZT million)</b>	
	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>
<b>Interest income</b>	110	119,244	32	114,629
- <i>key management personnel of the entity or its parent</i>	110		32	
<b>Interest expense</b>	(125)	(57,725)	(153)	(54,881)
- <i>parent company</i>	(35)		(34)	
- <i>key management personnel of the entity or its parent</i>	(89)		(118)	
- <i>other related parties</i>	(1)		(1)	
<b>Operating expenses</b>	(653)	(17,289)	(277)	(16,057)
- <i>Short-term employee benefits</i>	(653)	(8,726)	(277)	(8,411)
<b>Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies</b>	(9)	(26,380)	(21)	(44,972)
- <i>key management personnel of the entity or its parent</i>	(9)		(21)	

Key management personnel compensation for the six months ended 30 June 2014 and 2013 is represented by short-term employee benefits.

As at 30 June 2014 and 31 December 2013, the Group does not pledge any assets in connection with guarantees issued to management.

## 19. SEGMENT REPORTING

### Business segments

The Group presents operating segments on the basis of four main products.

The amounts disclosed in the segment analysis below are regularly provided to and reviewed by the chief operating decision maker.

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the six months ended 30 June 2014 (unaudited) (KZT million)
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(KZT million)
External interest income	23,571	91,854	3,144	675	-	-	119,244
Internal interest income	23,822	21,397	103,918	-	-	(149,137)	-
External interest expenses	(21,588)	(16,848)	(19,289)	-	-	-	(57,725)
Internal interest expenses	(12,888)	(66,612)	(69,637)	-	-	149,137	-
Net interest income/(expense) before provision for impairment losses on interest bearing assets	12,917	29,791	18,136	675	-	-	61,519
Recovery of provision/(provision) for impairment losses on interest bearing assets	784	(28,150)	6	-	-	-	(27,360)
NET INTEREST INCOME	13,701	1,641	18,142	675	-	-	34,159
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	-	-	(3,857)	179	-	-	(3,678)
Net gain/(loss) on foreign exchange and precious metals operations	555	(835)	(8,909)	1,400	-	-	(7,789)
Fee and commission income	9,146	4,980	599	-	-	-	14,725
Fee and commission expense	(4,631)	(597)	(226)	(64)	-	-	(5,518)
Net realized loss on investments available-for-sale	-	-	(12)	(48)	-	-	(60)
Dividend income	-	-	1,218	55	-	-	1,273
Other income/(expenses)	-	1,066	85	(171)	-	-	980
NET NON-INTEREST INCOME/(EXPENSE)	5,070	4,614	(11,102)	1,351	-	-	(67)
OPERATING EXPENSES	(9,833)	(5,424)	(744)	(1,288)	-	-	(17,289)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	8,938	831	6,296	738	-	-	16,803
(Provision)/recovery of provision for impairment losses on other transactions	-	(360)	10	(1,169)	-	-	(1,519)
Recovery of provision for guarantees and other contingencies	-	2,499	-	-	-	-	2,499
PROFIT/(LOSS) BEFORE INCOME TAX	8,938	2,970	6,306	(431)	-	-	17,783
Segment assets	522,430	2,402,925	1,527,788	135,701	15,269	(262,647)	4,341,466
Segment liabilities	1,089,789	1,434,535	1,429,659	37,443	3,012	(115,908)	3,878,530

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	For the six months ended 30 June 2013
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	15,871	94,431	3,778	549	-	-	114,629
Internal interest income	25,208	16,136	70,923	-	-	(112,267)	-
External interest expenses	(20,292)	(15,742)	(18,847)	-	-	-	(54,881)
Internal interest expenses	(8,061)	(55,926)	(48,280)	-	-	112,267	-
Net interest income before provision for impairment losses on interest bearing assets	12,726	38,899	7,574	549	-	-	59,748
Recovery of provision/(provision) for impairment losses on interest bearing assets	4,062	(41,693)	130	-	-	-	(37,501)
<b>NET INTEREST INCOME/(EXPENSE)</b>	<b>16,788</b>	<b>(2,794)</b>	<b>7,704</b>	<b>549</b>	<b>-</b>	<b>-</b>	<b>22,247</b>
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(1,478)	(89)	-	-	(1,567)
Net gain on foreign exchange and precious metals operations	411	144	3,204	10	-	-	3,769
Fee and commission income	7,622	4,729	2,369	-	-	-	14,720
Fee and commission expense	(3,745)	(322)	(208)	(99)	-	-	(4,374)
Net realized gain on investments available-for-sale	-	-	64	7	-	-	71
Dividend income	-	-	220	32	-	-	252
Other income	28	1,947	104	4,326	-	-	6,405
<b>NET NON-INTEREST INCOME</b>	<b>4,316</b>	<b>6,498</b>	<b>4,275</b>	<b>4,187</b>	<b>-</b>	<b>-</b>	<b>19,276</b>
<b>OPERATING EXPENSES</b>	<b>(9,153)</b>	<b>(4,569)</b>	<b>(1,057)</b>	<b>(1,278)</b>	<b>-</b>	<b>-</b>	<b>(16,057)</b>
<b>PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS</b>	<b>11,951</b>	<b>(865)</b>	<b>10,922</b>	<b>3,458</b>	<b>-</b>	<b>-</b>	<b>25,466</b>
Provision for impairment losses on other transactions	-	(2,060)	(1)	(3,057)	-	-	(5,118)
Provision for guarantees and other contingencies	-	(2,353)	-	-	-	-	(2,353)
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>11,951</b>	<b>(5,278)</b>	<b>10,921</b>	<b>401</b>	<b>-</b>	<b>-</b>	<b>17,995</b>
Segment assets as at 31 December 2013	305,612	1,779,538	493,571	73,343	8,623	(74,395)	2,586,292
Segment liabilities as at 31 December 2013	686,360	1,058,874	520,134	17,601	2,316	(71,200)	2,214,085

## 20. SUBSEQUENT EVENTS

On 18 July 2014, the Bank created “KUSA KKB-3” LLP, a wholly-owned subsidiary of the Bank. The subsidiary will be purchasing loss-making assets of the Bank. KUSA KKB-3 will be managing residential and commercial real estate assets repossessed from non-performing retail loans and from SME borrowers, who did not meet their loan obligations with the Bank.

On 12 August and 3 September 2014, the Bank completed the buyback of the first and second part of common shares under the Option Agreement with respect to the Bank as of 15 January 2009 signed between JSC NWF Samruk-Kazyna, JSC Central-Asian Investment Company, Mr. N.S. Subkhanberdin and JSC Alnair Capital Holding, respectively. The buyback was announced on 22 July 2014.

As a result of the first and second part of the buyback, the Bank purchased from JSC NWF Samruk-Kazyna 80 million common shares at a price of KZT 475.3667 per share.

It is expected that upon registration of all transactions under the second part of the buyback, there will be the following shareholding structure of the Bank:

Shareholder	Shareholding structure before buyback, 30 June 2014		Shareholding structure after the first part of buyback		Shareholding structure after the second part of buyback		
	Number of shares	Share (%)*	Number of shares	Share (%)	Applications received	Number of shares after buyback	Share (%)
JSC Central Asian Investment Company	185,561,734	23.83	185,561,734	26.49	-	185,561,734	27.71
N. S. Subkhanberdin	148,666,001	19.09	148,666,001	21.23	-	148,666,001	22.20
JSC Alnair Capital Holding	223,922,790	28.76	223,922,790	31.97	-	223,922,790	33.43
JSC NWF Samruk-Kazyna	165,517,241	21.26	114,517,241	16.35	29,000,000	85,517,241	12.77
Minority shareholders	<u>54,957,296</u>	<u>7.06</u>	<u>27,717,497</u>	<u>3.96</u>	<u>1,676,656</u>	<u>26,040,841</u>	<u>3.89</u>
Total	<u>778,625,062</u>	<u>100</u>	<u>700,385,263</u>	<u>100</u>	<u>30,676,656</u>	<u>669,708,607</u>	<u>100</u>

\*These percentage holdings were calculated based on the direct holding of each shareholder in the total number of ordinary shares outstanding less treasury shares purchased by the Bank and its subsidiaries.