



Bank CenterCredit Joint Stock Company
Consolidated Financial Statement
for 3 months, which ended on 31 March 2019

BANK CENTERCREDIT JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THREE MONTHS, FOR THE YEAR ENDED 31 MARCH 2019 (NOT AUDITED)

(in Kazakhstani Tenge and in millions if other is not mentioned)

1. ORGANIZATION

Bank CenterCredit JSC (hereinafter referred to as the “Bank”) is a Joint-Stock Company established and operating in the Republic of Kazakhstan since 1988. The activities of the Bank are regulated in accordance with the legislation of the Republic of Kazakhstan. The authorized state body in relation to the Bank is the National Bank of the Republic of Kazakhstan (hereinafter referred to as the “NBRK”). The Bank operates in accordance with the updated license No. 1.2.25 / 195/34 dated January 28, 2015. The main activities of the Bank are commercial banking, performing operations with securities, foreign currency and derivatives, the provision of loans and guarantees. The Bank is a member of the Kazakhstan Deposit Guarantee Fund. The registered office of the Bank is located at the address: 38 Al-Farabi ave., Almaty, the Republic of Kazakhstan. As of March 31, 2019 and December 31, 2018, the Bank had 19 branches in the Republic of Kazakhstan. As of March 31, 2019 and December 31, 2018, the number of ordinary shares was distributed as follows:

	31 March 2019 %	31 December 2018 %
Baiseitov B.R.	47.90	48.07
Lee V.S.	10.39	10.05
Amankulov D.R.	5.89	5.98
Other (individually holding less than 5%)	35.82	35.90
	100.00	100.00

During the three months of 2019, as part of the additional capitalization of the Bank, 3,181,111 announced ordinary shares were placed for a total of KZT 954,333,300.

The Bank is the parent company of the Banking Group, which includes the following subsidiaries consolidated for the purposes of these financial statements:

Name	Country of operation	Type of operation
BCC- ODAM LLP (Organization for distressed asset management)	The Republic of Kazakhstan	Distressed asset management
JSC BCC Invest	The Republic of Kazakhstan	Broker-dealer activity
LLP Center Leasing	The Republic of Kazakhstan	Financial leasing

	31 March 2019 Ownership share, %	31 December 2018 Ownership share, %
BCC- ODAM LLP (Organization for distressed asset management)	100.00	100.00
JSC BCC Invest	100.00	97.63
LLP Center Leasing	90.75	90.75

In December 2011, Kazakhstan adopted the Law of the Republic of Kazakhstan “On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Regulating Banking Activities and Financial Organizations in Risk Minimization”, which provides for the creation of second-tier banks of special subsidiaries that will acquire non-performing (distressed) assets of banks and manage them. On August 21, 2013, a special subsidiary of Bank BCC-ODAM LLP for distressed asset management was registered by the Ministry of Justice of the Republic of Kazakhstan. BCC Invest JSC was established in May 1998 in the form of a limited liability partnership (former KIB ASSET MANAGEMENT LLP) in accordance with the legislation of the Republic of Kazakhstan.

On September 26, 2006 KIB ASSET MANAGEMENT LLP was re-registered as a Joint-Stock Company. The main activity of BCC Invest JSC is the management of mutual fund assets and investment portfolio management. During 2018, the Bank made the additional capitalization of JSC BCC Invest in order to expand the business of the subsidiary and enhance the synergy of the banking group's business. During 2019, the Bank repurchased shares in the amount of 2.37% and as of April 1, 2019, the Bank's share was 100%.

Center Leasing LLP was established in the form of a limited liability partnership in accordance with the legislation of the Republic of Kazakhstan in September 2002. The main activity of Center Leasing LLP is to conduct leasing operations that are carried out in accordance with Article 10 of the Law of the Republic of Kazakhstan "On Financial Leasing". In 2018 Center Leasing LLP is in the process of liquidation.

These consolidated financial statements were approved by the Board of Bank CenterCredit JSC on April 26, 2019.

2. PRINCIPLES OF FINANCIAL REPORTING REPRESENTATION

Basic accounting principles

Provided consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The functional currency of the Bank is the Kazakhstani tenge, which, being the national currency of the Republic of Kazakhstan, best reflects the economic substance of most of the Bank's operations and related circumstances affecting its operations.

Kazakhstan tenge is also data presentation currency of these consolidated financial statements.

All consolidated financial statements are rounded to the nearest millions of tenge.

IFRS 9 «Financial instruments»

The Bank applied IFRS 9 in its consolidated financial statements as of January 1, 2018.

Based on the results of the assessment, the cumulative effect (net of tax) on the application of the standard is reflected in the opening balance of the Bank's equity as of January 1, 2018 in an amount equal to KZT 20,6 billion, including:

- a decrease in 17 billion tenge connected with the application of requirements for impairment;
- a decrease in 3 billion tenge connected with the application of requirements for the modification of assets other than the requirements for impairment;
- an increase in 600 million tenge connected with the reflection of the effect of deferred taxes and an increase in 3.4 billion tenge associated with the reflection of the current income tax.

Classification - financial assets

IFRS 9 introduces a new approach to the classification and measurement of financial assets, reflecting the business model used to manage these assets and the characteristics of their associated cash flows.

IFRS 9 contains three main categories of financial assets evaluation: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss. The standard eliminates existing financial asset categories in IFRS IAS 39: loans and receivables held to maturity and available for sale.

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3. NET INTEREST INCOME

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Interest income:		
Interest income on financial assets recorded at amortized cost:		
- interest income on financial assets not impaired	22,505	18,302
- interest income on financial assets that have been impaired	3,193	2,711
Interest income on financial assets at fair value through profit or loss	3,606	3,352
Total interest income	29,304	24,365
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers and banks	24,272	20,699
Interest on held-to-maturity investments	776	(7)
Interest on funds in banks	413	177
Penalties for loans granted to customers and banks	237	144
Total interest income on financial assets at amortized cost	25,698	21,013
Interest income on financial assets at fair value includes:		
Interest on investments available for sale	3,246	2,976
Investment interest initially recorded at fair value through profit or loss	360	376
Total interest income on financial assets at fair value	3,606	3,352
Total interest income	29,304	24,365
Interest expenses:		
Interest expense on financial liabilities carried at amortized cost	(16,340)	(16,013)
Total interest expense	(16,340)	(16,013)
Interest expense on financial liabilities carried at amortized cost:		
Interest on funds of clients and banks	(10,098)	(11,416)
Interest on funds and loans of banks and financial organizations	(1,942)	(1,654)
Interest on subordinated bonds	(1,964)	(1,990)
Investment securities interest	(331)	(283)
Interest on debt securities issued	(2,005)	(670)
Total interest expense on financial liabilities carried at amortized cost	(16,340)	(16,013)
Net interest income before provision for impairment of financial assets	12,964	8,352

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4. PROVISION FOR IMPAIRMENT, OTHER PROVISIONS

Information on the movement of provisions for impairment losses on assets for which interest income gets charged is presented as follows:

	Corporations	Medium-sized business	Mortgage loans	Consumer loans	Car loans	Business loans to individuals	Loans to banks	Total
01 January 2018	95,177	2,757	4,450	6,892	60	4,515	-	113,851
Accrual / restoration of reserve	4,829	(577)	264	507	(5)	190	-	5,208
Restoration of written-off unrecoverable debt	70	12	199	80	5	24	-	390
Exchange difference	(2,091)	(60)	(97)	(152)	(2)	(100)	-	(2,502)
Impairment write-off	-	-	(52)	(208)	-	(16)	-	(276)
Release effect*	(1,414)	(10)	(1)	(15)	(1)	(23)	-	(1,464)
Amount of additional formation upon transition to IFRS 9	13,275	283	2,177	526	39	609	-	16,909
31 March 2018	109,846	2,405	6,940	7,630	96	5,199	-	132,116
01 January 2019	87,461	9,971	7,305	8,794	117	8,010	25	121,683
Accrual / restoration of reserve	2,244	(616)	1,631	1,106	(5)	618	(12)	4,966
Newly established or acquired financial assets	844	28	1	389	-	7	5	1,274
Restoration of written-off unrecoverable debt	-	86	90	73	16	27	-	292
Financial assets which acceptance was terminated	(48)	(4)	(3)	(9)	(18)	-	-	(82)
Exchange difference	(491)	(53)	(50)	(40)	(1)	(50)	-	(685)
Asset write-off	(1,316)	(38)	(1,006)	(3,215)	(3)	(200)	-	(5,778)
Release effect	(1,688)	(218)	(299)	(214)	(3)	(140)	-	(2,562)
31 March 2019	87,006	9,156	7,669	6,884	103	8,272	18	119,108

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

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Net profit / loss on operations with financial assets and liabilities reflected at fair value through profits or losses includes:		
Unrealized (loss) / gain from fair value adjustment of trading financial assets	207	323
Realized profit / (loss) on trading operations	53	132
Realized (loss) / profit on transactions with derivative financial instruments	83	6
Unrealized profit / (loss) on transactions with derivative financial instruments	<u>(332)</u>	<u>(928)</u>
Total net profit / loss on transactions with financial assets and liabilities at fair value through profit or loss	<u>11</u>	<u>(467)</u>

6. NET REALIZED PROFIT / (LOSS) ON DISPOSAL AND IMPAIRMENT OF INVESTMENTS, AT FAIR VALUE

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Net realized profit / (loss) on investments available for sale	164	89
Profit / (loss) on impairment of investments available for sale	<u>38</u>	<u>83</u>
Total net realized profit/ (loss) on disposal and impairment of available-for-sale investments	<u>202</u>	<u>172</u>

7. NET PROFIT / LOSS ON TRANSACTIONS WITH FOREIGN CURRENCY

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Dealing operations, net	1,203	1,263
Exchange rate differences, net	<u>203</u>	<u>1,160</u>
Total net profit on foreign currency transactions	<u>1,406</u>	<u>2,423</u>

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8. COMMISSION INCOME

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Revenues from services and commissions received :		
Payment cards	1,778	1,397
Settlement operations	1,469	1,405
Issuance of guarantees	1,045	995
Cash transactions	978	975
Internet Banking Services	202	165
Documentary operations	35	22
Custody Activity	28	65
Conducting trust operations	4	5
Foreign currency transactions	-	1
Other	240	193
Total revenues for services and commissions received	5,779	5,223

9. TRANSACTION COSTS

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Salary	3,964	3,043
Rental Costs	830	375
Taxes (excluding income tax)	796	719
Depreciation and amortization	764	643
Administrative expenses	728	501
Deposit Guarantee Fund	435	560
Telecommunications	194	155
Security and alarm costs	215	204
Collection costs	126	103
Travel expenses	96	47
Repair and maintenance of equipment	82	73
Advertising expenses	61	31
Representation expenses	11	8
Professional services costs	5	19
Other expenses	200	137
Total transaction costs	8,507	6,618

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10. OTHER PROFIT/ (EXPENSE)

	Three months, ended 31 March 2019 (not audited)	Three months, ended 31 March 2018 (not audited)
Net income from the sale of inventory	81	32
Other	(5)	(325)
Total other profits/expenses	76	(293)

11. EARNING PER SHARE

Basic and diluted earnings per share are calculated as the ratio of net profit for the period attributable to the shareholders of the parent Bank to the weighted average number of ordinary shares over the period.

	For three months, ended 31 March 2019	For three months, ended 31 March 2018
Basic earnings per share		
Net income attributable to shareholders of the Bank	3,424	2,142
After deduction of: additional dividends paid on the full distribution of profits among holders of preferred shares	(6)	(3)
Net income attributable to holders of ordinary shares	3,418	2,139
Weighted average number of ordinary shares for calculating basic earnings per share	159,903,453	161,082,919
Basic earnings per share (in tenge)	21.38	13.28
Diluted earnings per share		
Net income attributable to holders of ordinary shares	3,418	2,139
Plus: additional dividends paid on full distribution of profits among holders of preferred shares	6	3
Profit used to calculate diluted earnings per share	3,424	2,142
Weighted average number of ordinary shares	159,903,453	161,082,919
Shares deemed to be issued:		
Weighted average number of ordinary shares that would be issued when converting preferred shares	295,414	204,414
Weighted average number of ordinary shares for calculating diluted earnings per share	160,198,867	161,287,333
Diluted earnings per share (KZT)	21.37	13.28

The group calculated the book value of one share for each type of stock according to the method of calculating the book value of one share provided by the KSE.

The book value of one share for each type of stock as of March 31, 2019 and December 31, 2018 is presented below:

Type of shares	31 March 2019			31 December 2018		
	Shares in circulation (quantity of shares)	Amount to calculate the book value mln. tenge	Book value per one share, tenge	Shares outstanding (number of shares)	The amount to calculate the book value mln. tenge	Book value of one share, tenge
Ordinary shares	159,664,226	109,001	683	160,024,977	100,195	626
Preference shares	295,414	89	300	295,414	89	300
		109,090			100,284	

The book value of one preferred share is calculated as the ratio of the amount of capital relating to preferred shares to the total number of preferred shares at the reporting date.

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The book value of one ordinary share is calculated as the ratio of the sum of the net assets of the Group for ordinary shares to the total number of ordinary shares at the reporting date. The net assets of the Group for ordinary shares are calculated as the sum of the total capital minus intangible assets and the amount of capital attributable to preferred shares at the reporting date. The total number of ordinary and preferred shares is calculated as the total number of shares issued and outstanding, minus shares repurchased by the Group at the reporting date. Management of the Group believes that the Group fully complies with the requirements of the KASE as at the reporting date.

12. CASH AND THEIR EQUIVALENTS

	31 December 2018	31 December 2018
Cash on hand	36,736	51,917
Nostro accounts with the NBRK	50,949	94,388
Nostro accounts with other banks		
- with a credit rating from "AA-" to "AA +"	16,985	2,577
- with a credit rating from "A-" to "A +"	24,651	9,853
- with a credit rating from "BBB-" to "BBB +"	1,393	4,411
- with a credit rating from "BB-" to "BB +"	2,286	5,733
- with a credit rating from "B-" to "B +"	27	54
- without assigned credit rating	446	334
Total nostro accounts with other banks, before deducting the reserve for expected credit losses	45,788	22,962
Estimated loss allowance	(20)	(18)
Total nostro accounts with other banks	45,768	22,944
Term deposits in other banks		
- with a credit rating from "BBB-" to "BBB +"	-	1,988
- with a credit rating of "BB-" to "BB +"	2,348	-
- with a credit rating from "B-" to "B +"	8,070	4,231
Total current accounts and term deposits with other banks, before deducting the reserve for expected credit losses	10,418	6,219
Estimated loss allowance	(189)	(55)
Total current accounts and term deposits with other banks	10,229	6,164
Total cash and cash equivalents	143,682	175,413

Credit ratings are presented in accordance with the standards of the rating agency Standard & Poor's or with similar standards of other international rating agencies.

Minimum reserves requirements

As of March 31, 2019 minimum reserve requirements are calculated in accordance with regulations issued by the NBRK. To meet the minimum reserve requirements, the Bank places cash in reserve assets that must be maintained at a level no less than the average cash amount in cash in national currency and the current account balance in the NBRK in national currency for 4 weeks, calculated as a certain minimum level of deposits and current account balances of clients who are residents and non-residents of the Republic of Kazakhstan, as well as other liabilities of the Bank.

As of March 31, 2019 the amount of the minimum reserve requirements was 11,786 million tenge (31 December 2018: 12,704 million tenge), and the reserve asset was 28,070 million tenge (31 December 2018: 34,866 million tenge).

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13. FINANCIAL ASSETS EVALUATED AT FAIR VALUES WHICH CHANGE IS REFLECTED BY PROFIT OR LOSS

Financial assets at fair value through profit or loss include:

	Nominal rate, %	31 March 2019	Nominal rate, %	31 December 2018
ASSETS				
Derivative financial instruments				
Contracts for the purchase and sale of foreign currency	-	26,929	-	27,177
		26,929	-	27,177
Trading securities				
Debt securities				
Government bonds of the Republic of Kazakhstan				
Corporate Bonds	3.88-9.60 3.25-15.00	4,953 9,077	2.38-9.6 4.63-15.00	5,145 9,272
Equity securities				
Shares of Kazakhstani companies		1,326		1,036
Shares of international companies		25		46
		15,381		15,499
		42,310		42,676
LIABILITIES				
Derivative financial instruments				
Contracts for the purchase and sale of foreign currency	-	(12,665)	-	(12,668)
		(12,665)		(12,668)

14. INVESTMENT SECURITIES

	Nominal rate, %	31 March 2019	Nominal rate, %	31 December 2018
<i>Investment securities measured at fair value through other comprehensive income</i>				
<i>Debt securities</i>				
Government bonds of the Republic of Kazakhstan	3.88-10.20	38,568	2.38-10.2	42,110
Corporate bonds	3.88-11.50	78,488	3.88-11.5	88,016
Discounted notes of the NBRK	-	116,246	-	40,593
<i>Equity securities</i>				
Shares of Kazakhstani companies	-	138	-	138
Shares of international companies	-	22	-	22
		233,462		170,879
Investment securities measured at amortized cost				
Debt securities				
- Government bonds of the Republic of Kazakhstan	5.60-6.70	6,019	5.60-6.70	5,908
Corporate Bonds	8.00	1,001	8.00	1,009
		7,020		6,917
Provision for expected credit losses		(6)		(6)
		7,014		6,911
		240,476		177,790

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15. FUNDS IN BANKS

	31 March 2019	31 December 2018
Term deposits		
- escrow deposit with the NBRK	2,792	1,826
- with a credit rating from "BB-" to "BB +"	209	1,014
- with a credit rating from "B-" to "B +"	19,018	25,117
- without credit rating	3,877	3,907
Total term deposits, before deduction of provision for expected credit losses	25,896	31,864
Provision for expected credit losses	(8)	(572)
Total term deposits	25,888	31,292

Credit ratings are presented in accordance with the standards of the rating agency Standard & Poor's or with similar standards of other international rating agencies.

As of March 31, 2019, the escrow deposit with the NBRK includes funds in the amount of KZT 1,884 million (31 December 2018: 1,183 million tenge) received from JSC Development Bank of Kazakhstan (JSC DBK) and 908 million tenge (31 December 2018: 643 million tenge) received from DAMU Entrepreneurship Development Fund JSC (EDF DAMU JSC) in accordance with the terms of loan agreements concluded with BRK JSC and EDF DAMU JSC. Funds will be issued as loans to small and medium-sized enterprises on special preferential terms. These funds can be withdrawn from the escrow deposit only after the approval of DBK JSC and EDF DAMU JSC, respectively.

Concentration of accounts and deposits in banks

As of March 31, 2019, the Bank has balances in one bank (December 31, 2018: one bank) funds in which exceed 10% of the equity capital.

16. LOANS PROVIDED TO CUSTOMERS AND BANKS

	31 March 2019	31 December 2018
Loans granted to customers	943,367	929,588
Accrued interest	33,284	53,584
	976,651	983,172
Net of allowance for losses	(119,090)	(121,658)
Total loans granted to customers	857,561	861,514
Loans granted to banks	1,312	1,214
Accrued interest	10	4
Net of allowance for losses	(18)	(25)
Total loans granted to banks	1,304	1,193
Ongoing participation in the asset	41,662	30,906
Loans granted under reverse repurchase agreements	28,043	75,071
Total loans granted to customers and banks	928,570	968,684

Information on the movement of reserves for credit losses on loans to customers and banks for the three months ended March 31, 2019 and 2018 is presented in Note 4.

The following table provides information on the types of credit products as of March 31, 2019:

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	Amount of loan before allowance for impairment	Impairment allowance	Book value
Loans to corporate clients			
Corporate loans	471,031	(87,006)	384,025
Small and medium businesses	126,240	(9,156)	117,084
Net investment in financial leases	-	-	-
Loans issued to individuals			
Mortgage loans	147,811	(7,669)	140,142
Consumer loans	131,503	(6,884)	124,619
Business development	93,926	(8,272)	85,654
Car loans	6,140	(103)	6,037
	976,651	(119,090)	857,561

The following table provides information on the types of credit products as of December 31, 2018:

	Loan amount before provision for impairment	Impairment allowance	Book value
Loans issued to corporate clients			
Corporate loans	472,048	(87,461)	384,587
Small and medium businesses	124,651	(9,971)	114,680
Loans issued to individuals			
Mortgage loans	154,453	(7,305)	147,148
Consumer loans	130,489	(8,794)	121,695
Business development	95,115	(8,010)	87,105
Car loans	6,416	(117)	6,299
	983,172	(121,658)	861,514

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Quality of corporate loans, loans to small and medium businesses and loans to individuals

Credit quality analysis of loans issued to customers as of March 31, 2019 is as follows:

	Corporate loans	Small and medium business	Mortgage loans	Consumer loans	Business development	Accreditation	Total
Loans, provided to clients							
Undue loans	325,496	93,364	115,000	98,575	66,257	5,771	704,463
Overdue loans:							
- overdue for less than 30 days	35,805	7,125	5,215	4,994	3,196	91	56,426
- overdue for a period of 31-60 days	76,223	8,342	9,314	5,932	4,700	23	104,534
- overdue for a period of 61-90 days	5,467	866	2,565	2,141	560	1	11,600
- overdue for a period of 91-180 days	4,793	1,838	4,622	6,495	1,803	32	19,583
- overdue for more than 180 days	23,247	14,705	11,095	13,366	17,410	222	80,045
Total loans to customers, before deducting the allowance for expected credit losses	471,031	126,240	147,811	131,503	93,926	6,140	976,651
Provision for expected credit losses	(87,006)	(9,156)	(7,669)	(6,884)	(8,272)	(103)	(119,090)
Total loans to customers, deducting the allowance for expected credit losses	384,025	117,084	140,142	124,619	85,654	6,037	857,561

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The credit quality analysis of loans issued to customers as of December 31, 2018 is as follows:

Loans, provided to clients	Corporate loans	Small and medium business	Mortgage loans	Consumer loans	Business development	Accreditation	Total
Undue loans	326,833	97,941	122,250	95,701	67,730	6,028	716,483
Overdue loans:							
- overdue for less than 30 days	67,792	7,654	13,150	9,944	6,407	72	105,019
- overdue for a period of 31-60 days	29,482	164	2,063	1,551	498	8	33,766
- overdue for a period of 61-90 days	16,379	1,542	2,860	5,488	659	32	26,960
- overdue for a period of 91-180 days	11,448	7,181	1,473	1,222	4,191	15	25,530
- overdue for more than 180 days	20,114	10,169	12,657	16,583	15,630	261	75,414
Total loans to customers, before deducting the allowance for expected credit losses	472,048	124,651	154,453	130,489	95,115	6,416	983,172
Provision for expected credit losses	(87,461)	(9,971)	(7,305)	(8,794)	(8,010)	(117)	(121,658)
Total loans to customers, deducting the allowance for expected credit losses	384,587	114,680	147,148	121,695	87,105	6,299	861,514

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Analysis of collateral and other means of enhancing creditworthiness

Corporate loans

The tables below provide information on collateral and other means of improving the quality of a loan for loans issued to corporate clients as well as small and medium business clients (minus provision for expected credit losses) by type of collateral.

31 March 2019	Book value of loans issued to customers	Fair value of collateral: for collateral valued as at the reporting date	Fair value of collateral: for collateral valued as of the date of loan issuance	Fair value is not defined
Unimpaired and collectively impaired loans				
Cash and deposits	1,633	1,633	-	-
Tradable securities	-	-	-	-
Property	273,477	273,477	-	-
Vehicles	697	697	-	-
Equipment	13,915	13,915	-	-
Corporate warranties	35,066	1,784	-	33,282
Revenues from future contracts	7,054	-	-	7,054
Goods in circulation	6,789	-	6,789	-
Subsoil use	12,487	-	-	12,487
Other collateral	1,622	-	1,622	-
Without collateral and other means to improve loan quality	31,285	-	-	31,285
Total unimpaired loans	384,025	291,506	8,411	84,108
Individually impaired loans				
Cash and deposits	3,729	3,729	-	-
Tradable securities	-	-	-	-
Real estate	101,177	101,177	-	-
Vehicles	1,172	1,172	-	-
Equipment	1,179	1,179	-	-
Corporate warranties	5,859	277	-	5,582
Goods in circulation	156	-	156	-
Subsoil use	157	-	-	157
Other collateral	309	-	309	-
Without collateral and other means to improve loan quality	3,346	-	-	3,346
Total impaired loans	117,084	107,534	465	9,085
Total loans issued to corporate clients	501,109	399,040	8,876	93,193

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31 December 2018	Book value of loans issued to customers	Fair value of collateral: for collateral valued as at the reporting date	Fair value of collateral: for collateral valued as of the date of loan issuance	Fair value is not defined
<i>Loans granted to corporate clients</i>				
Cash and deposits	2,257	2,257	-	-
Property	276,848	276,848	-	-
Vehicles	492	492	-	-
Equipment	9,753	9,753	-	-
Corporate warranties	44,230	-	-	44,230
Revenues from future contracts	5,401	-	-	5,401
Goods in circulation	6,325	-	-	6,325
Subsoil use rights	3,372	3,372	-	-
Other collateral	12,893	-	12,893	-
Without collateral and other means of improving the quality of the loan	23,016	-	-	23,016
Total loans granted to corporate clients	384,587	292,722	12,893	78,972
<i>Loans to small and middle-sized enterprise clients</i>				
Cash and deposits	2,587	2,587	-	-
Property	102,618	102,618	-	-
Vehicles	1,058	1,058	-	-
Equipment	856	856	-	-
Corporate warranties	4,201	-	-	4,201
Goods in circulation	141	-	-	141
Other collateral	1,682	-	1,682	-
Without collateral and other means of improving the quality of the loan	1,537	-	-	1,537
Total loans to small and middle-sized enterprise clients	114,680	107,119	1,682	5,879
Total corporate loans	499,267	399,841	14,575	84,851

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Loan portfolio analysis

As of March 31, 2019, the Bank has 12 borrowers or groups of interrelated borrowers, (31 December 2018: 14), the balances of loans which constitute more than 10% of the capital. The total amount of loans for these counterparties as of March 31, 2019 is 240,842 million tenge, (31 December 2018: 276,797 million tenge).

Loans were issued mainly to clients operating in the Republic of Kazakhstan in the following sectors of the economy.

	31 March 2019	31 December 2018
Individuals	379,381	386,473
Trade	132,928	125,527
Property rent	110,008	110,107
Industrial engineering	41,027	41,906
Transport and telecommunications	37,647	39,715
Production	38,301	39,677
Services for transportation and maintenance of equipment	35,375	34,881
Food industry	34,405	34,054
Power industry	32,172	32,480
Residential construction	29,424	29,278
Agriculture	19,420	21,848
Oil and gas industry	20,424	20,354
Financial services	4,475	5,815
Other	61,664	61,057
Total	976,651	983,172
Provision for expected credit losses	(119,090)	(121,658)
	857,561	861,514

Fair value of assets received as collateral and carrying value of loans under reverse repurchase agreements as at 31 March 2019 and 31 December 2018 were as follows:

	31 March 2019		31 December 2018	
	Book value of loans	Fair value of collateral	Book value of loans	Fair value of collateral
Government bonds of the Republic of Kazakhstan	19,009	19,659	66,116	66,263
Other	9,034	12,931	8,955	13,316
	28,043	32,590	75,071	79,579

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17. MAIN RESOURCES AND INTANGIBLE ASSETS

	Buildings and constructions	Furniture and equipment	Unfinished building	Intangible assets	Total
Overvalued / initial cost					
1 January 2018	31,010	13,992	105	9,339	54,446
Aquisitions	2	3,205	245	2,622	6,074
Transactions	(5,745)	5	(92)	-	(5,987)
Disposals	(155)	(1,752)	(11)	(448)	(2,211)
31 December 2018	25,112	15,450	247	11,513	52,322
Aquisitions	-	124	6	167	297
Transactions	120	-	(120)	-	-
Disposals	(29)	(47)	-	(1,760)	(1,836)
31 March 2019	25,203	15,527	133	9,920	50,783
Accumulated depreciation, amortization and impairment					
1 January 2018	(393)	(8,887)	-	(4,346)	(13,626)
Accruals for a year	(269)	(1,376)	-	(801)	(2,446)
Disposals	153	1,733	-	447	2,333
31 December 2018	(509)	(8,530)	-	(4,700)	(13,739)
Accruals for a year	(58)	(394)	-	(231)	(683)
Disposals	1	47	-	30	78
31 March 2019	(566)	(8,877)	-	(4,901)	(14,344)
Net book value					
31 March 2019	24,637	6,650	133	5,019	36,439
31 December 2018	24,603	6,920	247	6,813	38,583

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18. OTHER ASSETS

	31 March 2019	31 December 2018
Other financial assets		
Accounts receivable	7,431	3,873
Accrued commission	8,404	8,122
Dividends receivable	1,500	-
Western Union and other electronic transfers	196	164
Other financial assets	8	-
	<u>17,539</u>	<u>12,159</u>
Provision for expected credit losses	(1,380)	(1,388)
	<u>16,159</u>	<u>10,771</u>
Other non-financial assets		
Withdrawn collateral	50,848	51,375
Payment on withdrawn collateral	3,730	3688
Investment property	12,345	10,587
Advances issued	4,081	3,323
Taxes recoverable other than income tax	2,023	1,919
Inventories	50	40
Other assets	626	408
	<u>73,703</u>	<u>71,340</u>
	<u>89,862</u>	<u>82,111</u>

Withdrawn collateral. Withdrawn collateral includes real estate collateral accepted by the Bank in exchange for its liabilities on impaired loans. These assets are initially recorded at fair value and are subsequently measured at the lower of their fair values minus costs for selling and book value. Bank policy involves sale of these assets as soon as possible.

Payment on withdrawn collateral. The payment on withdrawn collateral is mainly represented by an advance payment on the withdrawn property, the acquisition process of which passes through an auction.

19. PAYABLES AND LOANS OF BANKS AND FINANCIAL ORGANIZATIONS

	Nominal interest rate, %	31 December 2018	Nominal interest rate, %	31 December 2017
Long-term loans received from banks and financial institutions	1.00-9.08	61,435	1.00-9.80	62,577
Termless financial instruments	8.64	29,673	8.34	30,056
Loans received from international credit organizations	8.50-10.00	15,078	8.50-10.00	16,920
Correspondent accounts of banks	-	7,536	-	10,201
Short-term loans received from other banks and financial institutions	2.00	2,000	-	-
Loan received from the Government of the Republic of Kazakhstan	9.25	89	5.50	90
Accumulated interest expense		757		979
		<u>116,568</u>		<u>120,823</u>
Loans received under repurchase agreements	8.25-11.00	4,674	8.50-11.00	4,827
		<u>121,242</u>		<u>125,650</u>

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Long-term loans received from banks and financial organizations.

During the three months which ended on 31 March 2019, the Group received long-term loans from DAMU JSC in the amount of KZT 378,00 million at 4.5% per annum maturing in 2025, as well as an additional tranche of long-term loan of 10 961,91 million tenge, at 1% per annum with maturity date in 2025.

Loans from DAMU JSC were received in accordance with the Government Program (the "Program") to finance small and medium-sized businesses (hereinafter "SMEs") in certain industries. According to the loan agreement between DAMU and the Group, the Group provides loans to SMEs eligible to participate in the Program at a rate of 4% margin and with a maturity not exceeding 10 years. The Group's liabilities for loan repayment to DAMU do not depend on the repayment of loans granted to SMEs. The group is obliged to pay a penalty in the amount of 15% of the undeveloped loan amount within 3-9 months after receiving funds from DAMU.

During the three months which ended on March 31, 2019, the Group received a short-term loan from Agrarian Credit Corporation JSC in the amount of KZT 2000,00 million at 2% per annum maturing in 2019.

Termless financial instruments. The termless non-cumulative financial instruments were issued by the Bank in March 2006 with the right to repay fully, but not partially, on any interest payment day, starting from 3 March 2016 at a nominal value of \$ 100 million. Interest dates are 3 March, 3 June, 3 September and 3 December annually.

Loans received from international credit organizations. Loans received from international credit organizations are represented by loans from European Bank for Reconstruction and Development JSC at 8.5% -10% per annum with maturity dates in 2019-2021.

The Group is required to comply with certain financial ratios to implement the conditions of funds and loans of banks and financial organizations presented above. These covenants include agreed ratios, the ratio of liabilities to equity and other ratios used for indicators of financial results. As at 31 March 2019, the Group did not commit breaches of obligations

20. PAYABLES TO CLIENTS AND BANKS

	31 March 2019	31 December 2018
Payables to clients		
- Retail clients	556,190	583,807
- Corporate clients	465,636	490,723
Payables to banks	50	-
	<u>1,021,876</u>	<u>1,074,530</u>
	31 March 2019	31 December 2018
Term deposits	720,766	767,528
Deposits on demand	296,557	302,280
	1,017,323	1,069,808
Accrued interest	4,503	4,722
	<u>1,021,826</u>	<u>1,074,530</u>

As of March 31, 2019, the Bank has 3 customers (December 31, 2018: 8 customers), with account and deposit balances of more than 10% of the capital. The total amount of balances on the accounts and deposits of specified customers as of March 31, 2019 is 52,016 million tenge (31 December 2018: 116,040 million tenge).

31 March 2019	31 December 2018
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Analysis by economic sector:

Individuals	556,190	583,807
Social services	92,868	118,562
Construction	86,491	99,784
Education and health	53,499	28,032
Trade	52,493	54,068
Transport and communication	31,095	27,161
Production	20,003	25,457
Insurance and pension fund	17,396	23,476
Power industry	14,252	6,045
Agriculture	13,752	14,042
Metallurgy	7,522	10,586
Research and development	7,120	4,582
Fuel	6,721	6,396
Chemical production	6,263	5,186
Entertainment services	5,602	4,548
Oil and gas industry	4,499	8,627
Machine construction	1,635	3,117
Public administration	687	794
Other	43,738	50,260
Total customer funds	1,021,826	1,074,530

21. ISSUED DEBT SECURITIES

	Currency	Date of issue	Maturity date	Interest rate, %	31 March 2019	Interest rate, %	31 December 2018
Bonds issued in Kazakhstan	Tenge	26/04/2014- 27/12/2018	26/04/2019- 05/02/2028	8.00-12.00	96,188	8.00-12.00	68,825
					<u>96,188</u>		<u>68,825</u>
Accrued interest					1,967		1,322
					<u>98,155</u>		<u>70,147</u>

Coupons on issued debt securities are payable every half a year, the principal debt is payable at the end of the term.

22. SUBORDINATED BONDS

	Currency	Date of issue	Maturity date	Interest rate, %	31 March 2019	Interest rate, %	31 December 2018
Fixed rate	Tenge	27/11/2009 - 03/11/2017	27/11/2024 - 03/11/2032	4.00-11.00	50,763	4.00-11.00	50,555
Floating rate	Tenge	05/12/2007 - 27/11/2009	27/11/2019 - 11/11/2023	7.00-7.50	20,223	7.00-7.50	20,217
					<u>70,986</u>		<u>70,772</u>
Accrued interest					1,770		1,143
					<u>72,756</u>		<u>71,915</u>

Coupons on subordinated bonds are payable every six months, the principal debt is payable at the end of the term.

Participation in the Banking Sector Financial Strengthening Program

The NBRK Resolution No. 191 dated October 10, 2017 approved the Bank's participation in the Program for Improving the Financial Sustainability of the Banking Sector of the Republic of Kazakhstan (the "Program").

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In accordance with the terms of the Program, the Bank received funds from a subsidiary of the NBRK, Kazakhstan Sustainability Fund JSC, through the issuance of registered coupon subordinated bonds of the Bank (hereinafter referred to as "Bonds"), convertible into common shares of the Bank in accordance with the terms of the Prospectus.

The Bank accepts the following restrictions (covenants) in its activities, which are valid for 5 years from the date of commencement of circulation of the Bonds, the violation of any of which entails the exercise of the right of Bond holders to convert Bonds into ordinary shares of the Bank:

- The Bank undertakes to fulfill the capital adequacy ratios established by the authorized body for second-tier banks of the Republic of Kazakhstan;
- The Bank undertakes not to take action on the withdrawal of Bank assets; in addition, a list of cases that will be considered as a withdrawal of assets is given in the Prospectus of the Bonds issue.

As part of participation in this Program, on November 3, 2017, the Bank placed Bonds at Kazakhstan Stock Exchange JSC in the amount of KZT 60,000 million with a circulation period of 15 years and a coupon rate of 4.00% per annum. The result of discounting the Bonds using the 13% market rate, which was recognized as income in the income and losses statement at the time of the initial recognition of the Bonds, is KZT 34,993 million.

23. OTHER LIABILITIES

	31 March 2019	31 December 2018
Other financial liabilities:		
Commitment from continued participation	41,662	30,904
Calculations for other operations	5,781	6,253
Issued warranty obligations	8,305	7,933
Accrued commission expenses	1,050	499
Provisions for guarantees and letters of credit	89	125
	56,887	45,714
Other non-financial liabilities:		
Taxes payable, other than income tax	608	740
Other non-financial liabilities	1,224	199
Total other liabilities	58,719	46,653

24. SHARE CAPITAL

As at 31 March 2019, the authorized capital of the Bank is as follows:

	Authorized share capital	Unissued share capital	Placement of announced common shares	Shares bought out from shareholders	Total share capital.
Ordinary shares, units	995,876,753	(833,419,953)	3,181,111	(2,792,574)	162,845,337
Preference shares, units	39,249,255	-		(38,953,841)	295,414

As at 31 December 2018, the authorized capital of the Bank is as follows:

	Authorized share capital	Unissued share capital	Shares bought out from shareholders	Total share capital.
Ordinary shares, units	995,876,753	(833,419,953)	(2,431,823)	160,024,977
Preference shares, units	39,249,255	-	(38,953,841)	295,414

As at 31 March 2019 the Bank's share capital consisted of:

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	Authorized and issued share capital	Placement of announced ordinary shares	Purchased shares	Total
Ordinary shares	57,511	954	(81)	58,384
Preference shares	89	-	-	89
	57,600	954	(81)	58,473

As at 31 December 2018 the Bank's share capital consisted of:

	Authorized and issued share capital	Purchased shares	Total
Ordinary shares	57,794	(283)	57,511
Preference shares	11,775	(11,686)	89
	69,569	(11,969)	57,600

All common shares belong to the same class, have one vote and do not have a nominal value.

Preferred shares are cumulative and convertible into ordinary shares as decided by the Board of Directors; one preferred share can be exchanged for one ordinary share. In accordance with the laws and statutory documents of the Bank, dividends on ordinary shares can be paid in cash or Bank securities, provided that the decision to pay dividends was made at a general meeting of shareholders of the Bank. In accordance with the Charter of the Bank, dividends on ordinary shares can be paid for the year end. Reserves available for distribution are subject to the rules and regulations of the Republic of Kazakhstan.

The terms of the preferred shares require the Bank to pay a nominal dividend in the amount of 0.01 tenge per share in order to comply with Kazakhstani legislation. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on preferred shares. According to Kazakhstani legislation on joint-stock companies, the amount of dividends paid on ordinary shares shall not exceed payments on preferred shares. Moreover, dividends on ordinary shares are not paid until the full payment of dividends on preferred shares has been made.

	31 March 2019 Quantity, in thousands	31 December 2018 Quantity, in thousands
Preferred shares at the beginning of the period	295	39,249
Repurchase of preferred shares	-	(38,954)
Preferred shares at end of the period	295	295
Ordinary shares at the beginning of the period	160,025	161,004
Placement of announced ordinary shares	3,181	-
Repurchase of own shares	(370)	(2,344)
Sale of repurchased shares	9	1,365
Ordinary shares at the end of the period	162,845	160,025

25. SUBSEQUENT EVENTS AFTER THE STATEMENT DATE

The Bank is not aware of any significant events after the statement date.