

EXPLANATORY NOTE
TO THE CONSOLIDATED FINANCIAL STATEMENTS OF
TSESNABANK JSC
AS AT 31 MARCH 2014

The consolidated financial statements include the financial statement of Tsesnabank JSC (the Bank) and the financial statement of its subsidiaries (collectively – the Group).

This explanatory note to the financial statements of the Group as at 31 March 2014 includes the following:

- general information on the Group;
- information on the Accounting Policy of the Group;
- information on assets and liabilities of the Group for the reporting period to the Statement of Financial Position;
- information on the results of financial and economic activities of the Group for the reporting period;
- information on cash flows of the Group for the reporting period;
- information on changes in equity of the Group for the reporting period.

The financial statements of the Group for the 3 months of 2014 are prepared in accordance with the Law of the Republic of Kazakhstan “On accounting and financial statements”, the Accounting Policy of Tsesnabank JSC, International Financial Reporting Standards (IFRS) and Tax Code of the Republic of Kazakhstan.

BACKGROUND

Principal Activities

Tsesnabank Joint Stock Company was established on 17 January 1992 and re-registered as Tsesnabank Open Joint Stock Company on 6 February 1997.

In accordance with the Law “On joint stock companies” dated 10 July 1998, the Bank was re-registered and received the Certificate of state registration of a legal entity No. 4078-1900-AO dated 12 February 1999 as Tsesnabank Open Joint Stock Company. Due to a change in the legislation introduced in 2003, the Bank since 26 December 2003, after re-registration, has been operating as a joint stock company in the Republic of Kazakhstan (Certificate of state re-registration of a legal entity No. 4078-1900-AO dated 26 December 2003).

The form of ownership is private.

The Bank carries out banking and other transactions, broker-dealer activities, and custodian activities in the securities market based on general license No. 1.2.74/74/29 granted on 12 October 2009 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations. The principal activities of the Bank are the following: attraction of deposits, opening and maintenance of customer accounts, lending, issue of guarantees, cash management services, and securities and foreign exchange transactions. The activities of the Bank are regulated by the Constitution and laws of the Republic of Kazakhstan, international contracts (agreements) concluded by the Republic of Kazakhstan and statutory acts of the authorized bodies issued on the basis and in pursuance of legislative acts and decrees of the President of the Republic of Kazakhstan in respect of the issues related to their competence.

As at 31 March 2014, the Bank has 22 branches and 131 sub-branches from which it conducts business across the Republic of Kazakhstan. The Bank’s Head Office is registered at the address: 29 Zhenis Avenue, Astana, Republic of Kazakhstan. The majority of the Bank’s assets and liabilities is in the Republic of Kazakhstan.

On 3 January 2007, the Bank established a subsidiary Tsesna International B.V. (the Subsidiary), which is a special purpose entity intended to raise funds on international capital markets and make these funds available to the Bank. As at 31 March 2014, the Bank owned 100% of the share capital of Tsesna International B.V.

The share capital of Tsesna International B.V. comprises 19,850 shares with a nominal value of EUR 0.91 each.

In accordance with the resolutions of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations No.65 and No.66 dated 18 May 2010, the Bank was given a permission No. 101 dated 18 May 2010 to purchase the Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC (Tsesna Garant). The primary business activity of Tsesna Garant is insurance of vehicle owners' civil liability, employers' civil liability, property, cargo, vehicle, air, railway and water transport, casualty and other insurance.

The Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC was established on 18 July 2008 (Certificate of state re-registration of a legal entity No. 101804-1910-AO).

Tsesna Garant has license No. 2.1.49 dated 14 June 2012 issued by the Committee for Control and Supervision of Financial Market and Financial Organisations of the National Bank of the Republic of Kazakhstan to conduct insurance activity under the 'General Insurance' sector.

As at 31 March 2014, the share capital comprises 60,000 ordinary shares and Tsesnabank JSC is the sole shareholder of Tsesna Garant.

In accordance with resolution No. 143 dated 31 December 2011 of the National Bank of Kazakhstan Tsesnabank was given a permission No. 102 dated 31 December 2011 to purchase a subsidiary – Tsesna Capital Joint-Stock Company (Tsesna Capital).

In November 2011, the Bank acquired 267,050 ordinary shares in Tsesna Capital JSC. As a result, the Bank's share of ownership in Tsesna Capital JSC increased by 18.86% and amounted to 67.86%. In July 2012, the Bank invested 277,950 thousand tenge in the subsidiary, and in July 2013 purchased from the minority shareholder the remaining shares in the amount of 232,050 thousand tenge. As at 31 March 2014 its share of ownership in Tsesna Capital is 100%. Tsesna Capital JSC is the Bank's subsidiary.

Tsesna Capital JSC was registered as an entity with the Department of Justice of Astana on 10 December 2004 – the certificate of state re-registration No. 17867-1910-AO dated 22 January 2007.

The company's primary activities are the following: brokerage and dealing activity, consulting activities and investment portfolio management. The company is authorized to perform any other activities not prohibited by the applicable laws.

The share capital at the reporting date amounts to 1,000,000 tenge.

According to the resolution of the National Bank of Kazakhstan No.329 dated 29 October 2012, the Bank obtained permission No. 2 dated 5 November 2012 to establish a subsidiary to manage doubtful and bad assets of the parent bank "Subsidiary company of OUSA Tsesna LLC" (hereinafter referred to as OUSA Tsesna LLC).

The main activities of the LLC are the following: acquisition of doubtful liens of the parent company, sale of doubtful and bad assets, leasing of property transferred into its ownership.

In March 2013, the Bank invested 150,000 tenge in the subsidiary OUSA Tsesna LLC and as at 31 March 2014 its stake in it is equal to 100%.

SIGNIFICANT ACCOUNTING POLICIES

The Bank's Accounting Policy is developed in accordance with Law of the Republic of Kazakhstan dated 28 February 2007 No. 234-III "On accounting and financial statements", International Financial Reporting Standards (IFRS), methodology recommendations on application of the IFRS developed by the Ministry of Finance of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan and other statutory acts of the Republic of Kazakhstan on accounting and financial statements.

The date when Tsesnabank JSC shifted to the IFRS accounting is 1 January 2003. The shift was determined by "Amendments and supplements to the Decree of the President of the Republic of

Kazakhstan that has the force of law “On accounting” (Law of the Republic of Kazakhstan dated 24 June 2002 No. 329) and the resolution of the Government of the Republic of Kazakhstan dated 3 February 2003 No. 119 on approval of the Regulations for determining the organizations whose financial statements are prepared in accordance with the IFRS since 1 January 2003.

When forming its accounting policy, Tsesnabank JSC is guided by the following principles and qualitative characteristics laid in the foundation of accounting standards:

- accrual basis;
- going concern;
- substance over form;
- understandability;
- relevance;
- materiality;
- reliability;
- prudence;
- completeness;
- neutrality;
- comparability;
- timeliness; and
- true and fair view/fair presentation.

PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis for assessment

The consolidated financial statements are prepared in accordance with accounting principles using actual cost method, excluding financial instruments at fair value through profit or loss, financial assets available for sale and recognised at fair value, and land and buildings stated at revalued amounts.

Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Functional currency and currency of the financial statements

The functional currency of the Bank and its subsidiaries is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it most accurately reflects the economic substance of the majority of transactions made by the Group and relevant circumstances, having influence on its activities.

The KZT is also the presentation currency for the purposes of these consolidated financial statements.

All financial information is in thousands of KZT.

If the reporting currency of a subsidiary is different from the reporting currency of the parent company, the financial statements of a subsidiary are to be retranslated for consolidation. The financial statements of a subsidiary are to be retranslated as follows:

- statement of financial position, changes in the capital – using the exchange rate at the date of presentation of the financial statements;
- statement of profit and loss and other comprehensive income and statement of cash flows – using an average exchange rate for the reporting period.

As at March 2014, the official exchange rate established by the National Bank of the Republic of Kazakhstan was 182.06 tenge for 1 US dollar. The average weighted rate for the 3 months of 2014 was 170.08 tenge for 1 US dollar. In respect of conversion of KZT into other currencies, the currency exchange regulations shall be applied.

Subsidiaries

Subsidiaries are investment objects which are controlled by the Group. The Group controls an investment object, if the Group is exposed to the risk, related to flexible income from its stake in an investment object, or is entitled to this income and can have impact on income value by using its powers in respect of an investment object. In particular, the Group consolidates financial statements of its investment objects, which it controls in fact. Financial statements of subsidiaries include in consolidated financial statements, from the date the control actually commences until the date this control ceases.

Purchase and sale of non-controlling interests

The Group records in the consolidated financial statements purchase and sale of non-controlling interests as transactions with shareholders. Any difference between the value to which non-controlling interests were adjusted and the fair value of consideration paid or received is recognised directly in the equity and payable to the owners of the parent company.

Cash and cash equivalents

Cash and cash equivalents include cash and coins, unrestricted balances (nostro accounts) held with the NBRK and other banks and highly liquid financial assets with original maturity of less than three months, which are exposed to a little risk of changes in the fair value and used by the Group for controlling short-term liabilities. Cash and cash equivalents are recognised at amortized cost.

Financial instruments

Classification of financial instruments

Financial instruments at fair value through profit or loss are financial assets or liabilities, which:

- acquired or incurred, mainly with the purpose of sale or repurchase in the ear future;
- a part of portfolio of identified financial instruments, which are managed together and for which there is evidence of profit extraction in the short term;
- derivative (excluding derivative financial instruments, produced and used as a hedging instrument); or
- upon initial recognition determined as at fair value through profit or loss.

Loans and accounts receivable are non-derivative financial assets with fixed or determined payments that are not quoted on a dynamic market, excluding those, which the Group:

- intends to sell immediately or in the nearest future upon initial recognition determined as at fair value through profit or loss;
- upon initial recognition determined as available for sale or
- for which the Group cannot refund all initially executed investments by reasons other than loan impairment.

Held-to-maturity investments are non-derivative financial assets with fixed or determined payments and fixed maturity period, which the Group intends and can hold before maturity date, excluding those, which:

- upon initial recognition determined as at fair value through profit or loss;
 - the Group determines as available for sale or
 - meet the definition of loans and accounts receivable.
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- *Financial assets available for sale* are those non-derivative financial assets that are determined as available for sale and do not meet the definition of loans and accounts receivable, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are reflected in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular ways of purchases of financial assets are reflected in the consolidated financial statements at the settlement date.

Assessment of value of financial instruments

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

After initial recognition financial assets, including derivative financial instruments, which are assets, are measured at fair value without deduction of transaction expenses, which could be incurred as a result of sale or other disposal, excluding:

- loans and accounts receivable, which are measured at amortised cost using effective interest rate method;
- held-to-maturity investments, which are measured at amortised cost using effective interest rate method;
- investments into equity instruments, which are not quoted on a dynamic market and fair value of which cannot be reliably measured.

All financial liabilities, excluding financial liabilities measured at fair value through profit or loss and financial liabilities, occurring the transfer of a financial asset measured at fair value does not meet derecognition criteria, are measured at amortised cost.

Amortised cost

Amortised cost of a financial asset or liability is the cost at which a financial asset or liability were measured upon initial recognition, after deduction of payment of principal outstanding amount, adjusted to the amount of accumulated amortisation, difference between the initially recognised value and the value at the moment of payment, determined using the effective interest rate method and after deduction of impairment loss. Bonuses and discounts value as well as transaction expenses are included in the carrying value of the relevant instrument and amortised based on the effective interest rate of this instrument.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated amortisation and impairment losses, except for buildings, which are stated at revalued amounts as described below. Where an item of property and equipment comprises several components having different useful lives, they are accounted for as separate items of property and equipment.

Revaluation

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

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences from the following month after commissioning of the assets or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation of intangible assets is to profit or loss charged on a straight-line basis over the estimated useful lives.

Investment property

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

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

Impairment allowance

If there is objective evidence of impairment of a financial asset or a group of financial assets, the Group recognizes impairment of a financial asset. Impairment of a financial asset is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial instrument's original effective interest rate. Such impairment losses are not reversed until, in a subsequent period, the impairment decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, then the impairment loss recognised earlier is reversed with adjustment to the reserve account.

Repurchase and reverse repurchase agreements

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

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under sale and repurchase (repo) agreements are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Subordinated debt

Subordinated debt comprises loans from foreign financial institutions and subordinated bonds issued by the Bank. In case of bankruptcy, the repayment of the subordinated debt would be made after repayment in full of all other liabilities of the Bank.

Derivative financial instruments

Derivative financial instruments include swap, forwards, futures, spot transactions and options in interest rates, foreign currency, precious metals and securities, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is concluded and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

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

Taxation

Income tax amount includes current tax amount and deferred tax amount. Income tax is carried through profit or loss in full, excluding amounts referring to transactions, stated in other comprehensive income or to transactions with owners, stated directly in equity, which, consequently, are stated in other comprehensive income or directly in equity.

Current income tax is calculated based on estimated amount of taxable income for the year, including rates of income tax effective as of the reporting date, as well as value of liabilities, incurred as a result of correction of income tax amounts for the previous reporting years.

Deferred tax assets and deferred tax liabilities are recognised in respect of timing differences between the carrying amount of assets and liabilities, determined in order to show them in the consolidated financial statements, and their tax base. Deferred tax assets and deferred tax liabilities are not recognised in respect of the following timing differences: differences related to presentation of goodwill in the consolidated financial statements and not deductible; differences related to assets and liabilities, the fact of initial recognition of which that affects neither accounting, nor taxable profit; as well as differences related to investments into subsidiaries, if the parent company can control the timing of the differences and if there is a strong belief that these timing differences will not be brought into effect in the foreseeable future.

Calculation of deferred tax assets and differed tax liabilities shows consequences that depend on the manner in which the Group plans to repay the carrying amount of assets and liabilities.

The value of deferred tax assets and differed tax liabilities is determined based on tax rates, which will be applied in future at the moment of reversal of timing differences based on effective laws as of the reporting date.

Differed tax assets are recognized to the extent that there is a probability that in future taxable profit will be received sufficient enough to cover timing differences, tax surcharge and unused tax benefits. The amount of deferred tax assets is reduced to the extent that there is probability of receiving tax profit, in respect of which deductible timing differences may be used.

Share capital

Share capital is formed by sale of shares to investors at the offer price. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction from equity, net of any tax effects.

Income and expense recognition

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

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

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

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

INFORMATION TO THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014
ГОДА

The Statement of Financial Position of Tsesnabank JSC is prepared as at 31 March 2014.

Assets of the Group: KZT 1,091,473,920 thousand

Cash and cash equivalents

As at 31 March 2014, cash and cash equivalents amounted to KZT **154,379,008** thousand tenge.

	31 March 2014	31 December 2013
	KZT'000	KZT'000
Cash on hand	23,576,228	15,478,868
Nostro accounts with the NBRK	70,744,796	10,621,684
Nostro accounts with other banks	56,623,020	69,069,008
Current accounts and term deposits with other banks	3,434,964	1,652,771
Total cash and cash equivalents	154,379,008	96,822,331

As at 31 March 2014 none of cash and cash equivalents are impaired or past due.

Deposits and balances with banks and other financial institutions

As at 31 March 2014 deposits and balances with banks and other financial institutions amounted to KZT **5,928,171** thousand, including:

	31 March 2014	31 December 2013
	KZT'000	KZT'000
Loans and deposits	5,976,301	5,602,071
Reserves for possible losses	(48,130)	(48,130)
Total loans and deposits	5,928,171	5,553,941

Overdue or impaired deposits and balances with banks and other financial institutions include deposits and balances with banks and other financial institutions with overdue for more than 360 days of KZT 48,130 thousand (2013: with overdue for more than 360 days of KZT 48,130 thousand).

Financial instruments at fair value through profit or loss

As at 31 March 2014, securities at fair value through profit or loss amounted to KZT 17,771,205 thousand, which include:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Owned by the Group		
Debt instruments and other fixed-income instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	14,845,809	6,878,257
Notes of the National Bank of the Republic of Kazakhstan	-	-
Total government bonds	14,845,809	6,878,257
Corporate bonds		
Sberbank JSC	1,015,980	1,046,546
Bank VTB OJSC	408,497	401,542
Development Bank of Kazakhstan - Leasing JSC	930,709	949,098
NC Food Contract Corporation JSC	249,560	246,819
National Welfare Fund Samruk Kazyna JSC	247,207	243,461
Halyk Bank JSC	37,682	36,729
Innova Investment LLC	3,786	3,661
Total corporate bonds	2,893,421	2,927,856
Investments into equity instruments		
Ordinary corporate shares		
Kazaktelecom JSC	11,624	14,059
Anglo-American PLC	5,708	4,171
Preferred corporate shares		
Kazaktelecom JSC	4,629	5,218
KazMunaiGaz Exploration Production JSC	9,427	7,269
Global Depository Receipts		
KazMunaiGaz Exploration Production JSC	-	12,257
BTA Bank JSC	587	612
American Depository Receipts		
ADR "Sberbank"	-	6,299
Total investments into equity instruments	31,975	49,885
Total:	17,771,205	20,756,230
Charged under repurchase agreement transactions		
Debt instruments and other fixed-income instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	10,900,232
Total:	-	10,900,232

Financial assets available for sale

As at 31 March 2014, financial assets available for sale amounted to KZT 5,213,346 thousand, which include:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Debt securities		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	365,298	360,991
Total government bonds	365,298	360,991
Corporate bonds	1,494,534	1,418,705
Total corporate bonds	1,494,534	1,418,705
Investments into equity instruments		
Corporate shares	3,353,514	3,363,514
Total:	5,213,346	5,143,210
Reserves for possible losses	-	(10,000)
Total:	5,213,346	5,133,210

Loans to customers

As at 31 March 2014, loans to customers amounted to KZT 813,725,619 thousand, which include:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Commercial loans		
Loans to large corporate customers	208,649,485	192,307,150
Loans to small and medium-sized enterprises	503,111,752	389,584,575
Total commercial loans	711,761,237	581,891,725
Loans to retail customers		
Mortgage loans	47,288,501	47,750,621
Consumer loans	26,553,745	27,704,088
Express loans	3,093,119	2,638,825
Car loans	57,456,336	42,303,694
Credit cards	100,190	109,133
Total loans to retail customers	134,491,891	120,506,361
Loans to customers before deduction of reserves for possible losses	846,253,128	702,398,086
Reserves for possible losses	(32,527,509)	(28,239,735)
Loans to customers after deduction of reserves for possible losses	813,725,619	674,158,351

Held-to-maturity investments

As at 31 March 2014, held-to-maturity investments amounted to KZT 28,044,664 thousand, which include:

	31 March 2014 KZT'000	31 March 2013 KZT'000
Owned by the Group		
Debt instruments		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	26,965,856	21,243,652
Total government bonds	26,965,856	21,243,652
- Corporate bonds		
Astana Nedvizhimost JSC	1,883,357	1,883,357
Kazakhstan Mortgage Company JSC	142,741	137,339
National Welfare Fund Samruk Kazyna JSC	936,067	922,215
Total corporate bonds	2,962,165	2,942,911
Reserves for possible losses	(1,883,357)	(1,883,357)
Loans to customers after deduction of reserves for possible losses	1,078,808	1,059,554
Total:	28,044,664	22,303,206
Charged under repurchase agreement transactions		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	5,913,997
Total:	-	5,913,997

Accounts receivable under repurchase agreement transactions

As at 31 March 2014, accounts receivable under repurchase agreement transactions amounted to KZT 15,606,353 thousand (31 December 2013: KZT 2,905,004 tenge).

Property, equipment and intangible assets

Property, equipment and intangible assets amounted to KZT 20,354,130 thousand, which include:

	31 March 2014 KZT'000	31 March 2013 KZT'000
Carrying amount of property and equipment including accumulated depreciation	19,397,767	19,407,759
	3,525,160	3,169,384
Carrying amount of intangible assets including accumulated depreciation	956,363	996,844
	1,143,034	1,076,813
Total:	20,354,130	20,404,603

Property, equipment and intangible assets were not revalued during the reporting period.

Current tax asset

	31 March 2014 KZT'000	31 December 2013 KZT'000
Current tax asset	2,576,939	2,559,767
Total:	2,576,939	2,559,767

Deferred tax asset

	31 March 2014 KZT'000	31 December 2013 KZT'000
Deferred tax asset	198,580	10,475
Total:	198,580	10,475

Other assets

As at 31 March 2014, other assets amounted to KZT 27,675,905 thousand.

	31 March 2014 KZT'000	31 December 2013 KZT'000
Other accounts receivable	14,543,739	10,842,219
Accounts receivable in relation to commissions	28,669	24,517
Accounts receivable in relation to insurance and reinsurance activities	846,179	2,059,738
Accounts receivable from local commercial bank	210,035	210,035
Reserves for possible losses	(1,666,855)	(1,540,843)
Total other financial assets	13,961,767	11,595,666
Recoverable prepayment	7,547,057	7,585,784
Prepayments for office buildings	3,097,250	2,832,609
Prepayments	2,210,663	1,368,753
Reinsurers' share in insurance contract provisions	52,570	2,436,672
Materials and supplies	738,240	609,516
Other	109,642	85,175
Reserves for possible losses	(41,284)	(22,537)
Total other non-financial assets	13,714,138	14,895,972
Total other assets	27,675,905	26,491,638

Liabilities of the Group: KZT 1,005,500,815 thousand

Funds of the Government and local governments of the Republic of Kazakhstan

As at 31 March 2014, funds of the Government and local governments of the Republic of Kazakhstan amounted to KZT 847,027 thousand (31 December 2013: KZT 0 thousand)

Deposits and balances from banks and other financial institutions

As at 31 March 2014, deposits and balances from banks and other financial institutions amounted to KZT **28,607,184** thousand, which include:

	31 March 2014 KZT'000	31 December 2012 KZT'000
Loans and deposits from banks and other financial institutions	28,550,943	23,263,561
Vostro accounts	56,241	43,851
Total:	28,607,184	23,307,412

Current accounts and deposits from customers

As at 31 March 2014 current accounts and deposits from customers amounted to KZT **896,741,519** thousand, which include:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Current accounts and demand deposits		
- Corporate	122,089,727	106,931,769
- Retail	9,233,729	9,498,203
- Accrued interest	38,332	13,479
Term deposits		
- Corporate	510,876,980	372,184,570
- Retail	248,822,613	201,814,128
- Accrued interest	5,680,138	4,237,939
Total:	896,741,519	694,680,088

Debt securities issued

As at 31 March 2014, debt securities issued amounted to KZT **21,353,239** thousand, which include:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Nominal value	22,113,823	22,123,483
Discount /bonus	(1,206,106)	(1,237,920)
Accrued interest	445,522	360,218
Total:	21,353,239	21,245,781

Subordinated debt

As at 31 March 2014, subordinated debt amounted to KZT **41,790,322** thousand, which includes:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Subordinated bonds	41,790,322	41,754,090
Total:	41,790,322	41,754,090

Accounts payable under repurchase agreement transactions

	31 March 2014 KZT'000	31 December 2013 KZT'000
Accounts payable under repurchase agreement transactions	-	15,945,917
Total:	-	15,945,917

Current tax liability

	31 March 2014 KZT'000	31 December 2013 KZT'000
Current tax liability	4,429	4,429
Total:	4,429	4,429

Deferred tax liability

	31 March 2014 KZT'000	31 December 2013 KZT'000
Deferred tax liability	2,594,212	2,594,212
Total:	2,594,212	2,594,212

Other liabilities

As at 31 March 2014, other liabilities amounted to 13,562,883 thousand which include:

	31 March 2014 KZT'000	31 December 2013 KZT'000
Other creditors	892,431	540,378
Accounts payable in relation to insurance and reinsurance activities	328,601	410,215
Dividends payable	310,691	250,467
Total other financial liabilities	1,531,723	1,201,060
Insurance allowance	6,781,054	6,611,399
Income from guarantees and L/C issued	2,491,442	2,601,138
Other prepayments	916,349	919,131
Accrued vacation, settlements with employees	1,332,014	552,050
Other taxes payable	491,546	376,754
Other non-financial liabilities	18,755	4,288
Total other non-financial liabilities	12,031,160	11,064,760
Total other liabilities	13,562,883	12,265,820

Equity of the Group: KZT 85,973,105 thousand

Share capital issued

As at 31 March 2014, registered share capital of the Bank comprises 38,800,000 ordinary shares and 2,500,000 preference shares (31 December 2013 года: 33,800,000 ordinary shares and 2,500,000 preference shares). During the period ended 31 March 2014, 5,000,000 ordinary shares with placement price of KZT 2000 thousand for one share were issued. Issued and outstanding share capital with elimination is KZT 51,107,478 thousand in respect of ordinary and preference shares (31 December 2013: KZT 41,124,480 thousand in respect of ordinary and preference shares).

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

Additional paid-up capital (share premium)

As at 31 March 2014, share premium amounted to KZT 49,111 thousand (31 December 2013: KZT 49,082 thousand)

Reserves

As at 31 March 2014, reserves amounted to KZT 28,779,203 thousand. These reserves include:

	31 March 2014	31 December 2013
	KZT'000	KZT'000
Reserve for general banking and insurance risks	12,158,223	12,131,875
Revaluation reserve for financial assets available for sale	(18,641)	(24,958)
Revaluation reserve for property and equipment	8,412	8,487
Dynamic reserve	16,631,209	16,631,209
Total:	28,779,203	28,746,613

Retained profit

Retained profit for 3 months of 2014 increased by KZT 4,742,484 thousand and as at 31 March 2014 amounted to KZT 6,037,313 thousand:

	31 March 2014	31 December 2013
	KZT'000	KZT'000
Retained profit as at the beginning of the reporting period	1,294,829	8,772,453
Profit for the period attributable to the Group	4,830,611	14,540,070
Amortization of fund of revaluation reserve for property and equipment	75	3,704
Transfer into legal reserve	(26,348)	(5,142,171)
Transfer into dynamic reserve	-	(16,631,209)
Dividends on preference shares	(61,854)	(248,018)
Retained profit as at the end of the reporting period	6,037,313	1,294,829

Profit per share

The calculation of basic earnings per share as at 31 March 2014 is based on the profit attributable to holders of ordinary shares. Profit per share is calculated by dividing the consolidated profit for the period and a weighted average number of ordinary shares outstanding for the period as follows:

	31 March 2014
Net profit/(loss) attributable to holders of ordinary shares, in thousands of KZT	4,830,611
Weighted average number of ordinary shares	34,406,073
Basic profit/(loss) per share, in KZT	140

$$\text{Carrying value of } \underline{\mathbf{1 \text{ ordinary share}}} = \frac{(\text{TA} - \text{IA}) - \text{TL} - \text{PS}}{\text{NO}_{\text{CS}}} =$$
$$\frac{(1091473920 - 956363) - 1005500815 - 2474160}{38683639} = \text{KZT } 2134$$

TA – total assets of the Bank as per the statement of financial position at the date of calculation;

IA – intangible assets of the Bank as per the statement of financial position at the date of calculation;

TL – total liabilities of the Bank as per the statement of financial position at the date of calculation;

PS – balance of the ‘Share Capital, Preference Shares’ account in the statement of financial position at the date of calculation;

NO_{CS} – number of ordinary shares at the date of calculation.

$$\text{Carrying value of } \underline{\mathbf{1 \text{ preferred share}}} = \frac{\text{TD}_{\text{PS}} + \text{PS}}{\text{NO}_{\text{PS}}} =$$

$$\frac{309270 + 2474160}{2474160} = \text{KZT } 1125$$

TD_{PS} – dividends on preference shares accrued but not paid at the date of calculation.

PS – balance of the ‘Share Capital, Preference Shares’ account in the share issuer’s statement of financial position at the date of calculation;

NO_{PS} – number of preference shares at the date of calculation

**INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME FOR AS AT
31 MARCH 2014**

The statement of comprehensive income is a statement reflecting the results of the Group's activities.

Net interest income

	31 March 2014	31 March 2013
	KZT'000	KZT'000
Interest income		
Loans to customers	23,594,421	16,108,773
Held-to-maturity investments	327,197	341,393
Financial instruments at fair value through profit or loss	154,806	265,202
Deposits and balances with banks and other financial institutions	152,802	154,051
Interest income under repurchase agreement transactions	136,713	6,906
Available-for-sale financial assets	27,533	27,125
Cash and cash equivalents	5,357	490
Total:	24,398,829	16,903,940
Interest expense		
Current accounts and deposits from customers	(10,653,890)	(7,930,847)
Subordinated debt	(945,946)	(591,331)
Deposits and balances with banks and other financial institutions	(508,000)	(152,675)
Debt securities issued	(427,577)	(198,273)
Accounts payable under repurchase agreements	(23,290)	(50,567)
Funds of the Government of the Republic of Kazakhstan	(19,762)	-
Total:	(12,578,465)	(8,923,693)
Net interest income	11,820,364	7,980,247

Net fee and commission income

	31 March 2014	30 March 2013
	KZT'000	KZT'000
Fee and commission income		
Guarantee and letter of credit issuance fees	585,174	449,070
Transfer operations	547,078	440,376
Cash withdrawal fees	352,754	292,128
Foreign exchange fees	251,988	180,561
Settlement transactions fees	210,075	168,920
Early credit repayment fee	219	410,114
Cash collection fees	10,007	6,631
Other	158,569	130,891
Total	2,115,864	2,078,691
Fee and commission expense		
Insurance acquisition expense	(201,143)	(235,404)
Commission expense on received deposits	(23,185)	(75,211)
Customer card account maintenance fees	(81,725)	(65,610)
Transfer operations	(37,464)	(29,543)

Commission expense on issued guarantee	(23,503)	(5,640)
Commission expense on issued letters of credit	(515)	(1,504)
Brokerage and insurance services	(57,362)	(4,623)
Other	(15,349)	(14,229)
Total:	(440,246)	(431,764)
Net fee and commission expense	1,675,618	1,646,927

Net earned insurance premiums as at 31 March 2014 amounted to KZT **1,252,388** thousand for the same period of the previous year: KZT **1,151,772** thousand.

Accrued insurance claims for 3 months of 2014 amounted to KZT **(1,208,762)** thousand (3 months 2013: KZT **(343,390)** thousand).

Net profit/(loss) on financial instruments at fair value through profit or loss for the period as at 31 March 2014 amounted to KZT **(6,375)** thousand, for the same period of the previous year: KZT **(30,165)** thousand.

Net foreign exchange income

	31 March 2014 KZT'000	30 September 2013 KZT'000
Gain on spot transactions and derivative financial instruments	3,793,555	606,921
Profit/loss from revaluation of financial assets and liabilities	130,200	(1,265)
Total:	3,923,755	605,656

Dividend income for 3 months of 2014 includes income from dividends on shares in the amount of KZT **5,580** thousand, for the same period of the previous year: KZT **68** thousand

Other income

	31 March 2014 KZT'000	31 March 2013 KZT'000
Penalties	2,558	490
Gain/(loss) on sale of property, equipment and inventory	102,300	(105)
Other income	10,060	113,181
Total:	114,918	113,566

Impairment losses

	31 March 2014 KZT'000	31 March 2013 KZT'000
Loans to customers	(4,206,850)	(1,291,268)
Commitments	-	(522)
Assets available for sale	-	(361,681)
Held-to-maturity investments	-	(425,012)
Other assets	(143,599)	(2,780)
Total:	(4,350,449)	(2,081,263)

Personnel expenses

	31 March 2014	31 March 2013
	KZT'000	KZT'000
Remuneration	(3,553,585)	(2,133,397)
Payroll related taxes	(414,163)	(159,654)
Total:	(3,967,748)	(2,293,051)

Other general and administrative expenses

	31 March 2014	31 March 2013
	KZT'000	KZT'000
Rent	950,631	888,801
Depreciation and amortisation	436,187	332,065
Repairing and maintenance	221,926	222,581
Advertising and marketing	298,800	177,129
Taxes other than on income	293,855	197,614
Contributions to deposit insurance fund	303,167	190,592
Car loans expenses	244,405	-
Professional services	59,424	135,343
Security	154,892	112,823
Transportation	111,980	102,511
Stationery and office equipment supplies	62,060	72,748
Communications and information services	109,961	76,351
Business travel expenses	54,857	35,612
Collection expenses	37,750	36,710
Charity and sponsorship	236,128	43,890
Post and courier services	15,890	17,886
Recruitment, staff training	3,506	6,145
Market-maker services	1,168	2,269
Insurance	1,195	953
Other	72,870	187,958
Total:	3,670,652	2,839,981

Income tax expense as at 31 March 2014 amounted to KZT (758,026) thousand, for the same period of the previous year: KZT (667,742) thousand.

Profit for 3 months of 2014 amounted to KZT 4,830,611 thousand (for 3 months of 2013: KZT 3,242,644 thousand), including the amount attributable to the Bank of KZT 4,830,611 thousand (for 3 months of 2013: KZT 3,242,532 thousand), and to non-controlling interests of KZT 0 thousand (for 3 months of 2013: KZT 112 thousand).

INFORMATION ON CASH FLOWS as at 31 MARCH 2014

The consolidated Statement of Cash Flows separately shows the cash flows classified as cash flows from operating, investing and financing activities, which allows the users to evaluate the effect of each type on the amount of total cash flows and the financial position of the Bank.

Overall, the Group, as a result of operating, investing and financing activities for 3 months of 2014 had an outflow of cash and cash equivalents amounting to KZT **57,411,695** thousand, including:

- from operating activities-inflow of cash of KZT 48,360,993 thousand;
- from investing activities – outflow of cash of KZT 923,312 thousand;
- from financing activities – inflow of cash of KZT 9,974,014 thousand.

The inflow of cash resulting from translation differences from revaluation of the cash equivalents balances (effect of changes in exchange rates on cash and cash equivalents) amounted to KZT 144,982 thousand.

INFORMATION TO THE STATEMENT ON CHANGES IN EQUITY AS AT 31 MARCH 2014

The equity of the Group at the reporting date was KZT **85,973,105** thousand.
The changes were as follows:

- The share capital increased by KZT 9,982,998 thousand due to the issue of shares in the amount of KZT 10,000,000 thousand and elimination of repurchased own shares resulting from the acquisition of subsidiary – Tsesna Capital JSC in the amount of KZT (17,002) thousand;
- Share premium increased by KZT 29 thousand;
- Revaluation reserve for property and equipment decreased by KZT 75 thousand as a result of transfer to retained profit;
- Revaluation reserve for assets available for sale increased by KZT 6,317 thousand;
- Reserve for general banking and insurance risks increased by 26,348 thousand;
- Retained profit increased by KZT 4,742,484 thousand. The information on the change in retained profit is available on page 16 of this Explanatory Note to the financial statements.

Chairman of the Management Board

Zhaksybek D.A.

Chief Accountant

Bagautdinova N.M.



Handwritten signatures in blue ink.