

**EXPLANATORY NOTE  
TO THE FINANCIAL STATEMENTS OF  
TSESNABANK JSC  
AS AT 31 MARCH 2013**

This explanatory note to the financial statements of Tsesnabank JSC as at 31 March 2013 includes the following:

- general information on Tsesnabank JSC;
- information on Accounting Policy of Tsesnabank JSC;
- information on assets and liabilities of Tsesnabank JSC for the reporting period to the Statement of Financial Position;
- information on the results of activity of Tsesnabank JSC for the reporting period;
- information on cash flows for the reporting period;
- information on changes in equity for the reporting period.

The financial statements of Tsesnabank JSC for the 3 months ended 31 March 2013 are prepared in accordance with the Law of the Republic of Kazakhstan “On accounting and financial statements”, Accounting Policy of Tsesnabank JSC, International Financial Reporting Standards (“IFRS”) and Tax Code of the Republic of Kazakhstan.

The explanatory note is prepared as per unaudited consolidated financial statements of Tsesnabank JSC (the “Bank”) and its subsidiaries (collectively – the “Group”).

## **BACKGROUND**

### **Principal Activities**

Tsesnabank Joint Stock Company (the “Bank”) was established on 17 January 1992 and re-registered as Tsesnabank Open Type 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 obtained 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 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 operates based on general license No. 1.2.74/74/29 for banking and other operations, broker-dealer activities, and custodian activities in the securities market granted on 12 October 2009 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the “FMSA”). The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations, and operations with securities and foreign exchange. The activities of the Bank are regulated by the Constitution and laws of the Republic of Kazakhstan, international 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 2013 the Bank has 22 branches and 109 sub-branches from which it conducts business throughout the Republic of Kazakhstan. The registered address of the Bank’s Head Office is 29 Zhenis Avenue, Astana, Republic of Kazakhstan. The majority of the Bank’s assets and liabilities are located 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 2013, 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 FMSA 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 2013, the share capital comprises 36,200 ordinary shares. Tsesnabank JSC is a sole shareholder of Tsesna Garant.

In accordance with resolution No. 143 dated 30 September 2011 of the National Bank of Kazakhstan Tsesnabank was given a permission No. 102 dated 30 September 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 KZT 277,950 thousand in the subsidiary, and as at 31 March 2013 its share of ownership in Tsesna Capital is 76.795%. 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 brokerage and dealing activity, consulting activities and investment portfolio management. The company is authorized to perform any other activities not prohibited by effective laws.

The number of declared ordinary shares of the company is 1,000,000 shares. As at 31 March 2013, 1,000,000 ordinary shares were placed among shareholders, including:

- Tsesnabank JSC – 767,950 shares;
- Tsesna Corporation JSC – 232,050 shares.

The company's share capital at the reporting date amounts to KZT 1,000,000 thousand.

According to the resolution of NBRK No.329 dated 29 October 2012, the Bank obtained permission No. 2 as of 5 November 2012 to set up 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).

Major activities of the LLC are acquisition of doubtful liens of the parent company, sale of doubtful and bad assets, lease of property transferred into its ownership.

In March 2013, the Bank invested 150,000 thousand tenge in the subsidiary OUSA Tsesna LLC and as at 31 March 2013 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 September 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.

## **BASIS OF CONSOLIDATION**

### **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.

### **Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group’s share of losses exceeds the Group’s interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

### **Functional currency**

The functional currency of the Bank and the majority of its subsidiaries is the Kazakhstan tenge (“KZT”) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

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

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 – using the exchange rate at the date of presentation of the financial statements;
- statement of comprehensive income and statement of cash flows – using an average rate for the reporting period. In case of significant volatility of exchange rates during the reporting period, the items of income and expense are retranslated using the exchange rate at the date of recognition of income and expense.

Translation differences are reflected in the equity.

As at 31 March 2013, the official exchange rate established by the National Bank of the Republic of Kazakhstan is KZT 150.84 for 1 US dollar. The average weighted rate for the 3 months ended 31 March 2013 is KZT 150.67 for 1 US dollar. In respect of converting of KZT into other currencies, the currency exchange regulations apply.

### **Cash and cash equivalents**

Cash and cash equivalents include cash, nostro accounts held with the NBRK and other banks, which are free from contractual restrictions, and deposits held with other banks with original maturity of less than three months. The mandatory reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability.

### **Recognition**

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

### **Property and equipment**

#### ***Owned assets***

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below. Where an item of property and equipment comprises major 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 revalued. A revaluation increase on 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.

#### ***Depreciation***

Depreciation 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.

### ***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.

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

### ***Loans to customers***

Loans to customers are initially recognised at fair value including direct costs which are directly related to the acquisition or creation of such financial asset. Subsequently, loans are carried at amortised cost using the effective interest method. Loans to customers are carried less impairment loss.

### ***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 an agreement to resell 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 swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into 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.

### ***Deferred income tax***

Deferred tax assets and liabilities are provided in respect of all temporary differences using the balance sheet liability method. Deferred income tax is recognised in respect of all temporary differences between the amounts of assets and liabilities used for taxation purposes and carrying amounts for financial reporting purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied at the time of asset or liability offset on the basis of effective or announced (and practically adopted) tax rates at the reporting date.

### ***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.

### ***Net gain/(loss) on securities operations***

Net gain/(loss) on trading securities operations includes gain and loss on retirement and changes in fair value of trading securities recognised at fair value through profit or loss, as well as realised gain and loss on retirement of investment securities, available-for-sale and held-to-maturity.

## INFORMATION TO THE STATEMENT OF FINANCIAL POSITION AS AT 31 March 2013

The Statement of Financial Position of Tsesnabank JSC is prepared as at 31 March 2013.

**Assets of the Group: KZT 664,307,822 thousand**

### Cash and cash equivalents

As at 31 March 2013 cash and cash equivalents were KZT 27,916,103 thousand.

	31 March 2013 KZT'000	31 December 2012 KZT'000
Cash on hand	15,211,733	10,306,476
Nostro accounts with the NBRK	16,777,186	29,447,090
Mandatory reserve with the NBRK	(6,752,754)	(6,845,307)
Nostro accounts with other banks	2,343,876	2,365,931
Deposits and balances to other banks	336,062	162,929
<b>Total cash and cash equivalents</b>	<b>27,916,103</b>	<b>35,437,119</b>

As at 31 March 2013 none of cash and cash equivalents are impaired or past due.

### Deposits and balances to banks

As at 31 March 2013 deposits and balances to banks and other financial institutions were KZT 13,880,368 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
Mandatory reserve with the NBRK	6,752,754	6,845,307
Loans and deposits	7,024,740	8,504,168
Impairment allowance	(48,130)	(48,130)
Reverse repo	151,004	277,005
<b>Net deposits and balances to banks</b>	<b>13,880,368</b>	<b>15,578,350</b>

Overdue or impaired deposits and balances to banks comprise deposits and balances to banks overdue for more than 360 days of KZT 48,130 thousand (2012: overdue for more than 360 days of KZT 48,130 thousand).

### Financial instruments at fair value through profit or loss

As at 31 March 2013 financial instruments (securities) at fair value through profit or loss were KZT 28,883,034 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
<b>Intended for sale</b>		
<b>Debt and other fixed-income instruments</b>		
<b>Government and municipal bonds</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	23,068,235	24,156,643
Notes of the National Bank of the Republic of Kazakhstan	-	-
<b>Total government and municipal bonds</b>	<b>3,068,235</b>	<b>24,156,643</b>
<b>Corporate bonds</b>		
Kazakhstan Mortgage Company JSC	1,021,152	1,036,185
Sberbank JSC	1,084,057	1,089,857

Bank VTB OJSC	408,496	397,231
Development Bank of Kazakhstan - Leasing JSC	930,722	949,082
NC KazMunaiGaz JSC	939,554	974,858
NC Food Contract Corporation JSC	256,883	700,152
National Welfare Fund Samruk Kazyna JSC	136,963	762,222
Halyk Bank JSC	948,934	941,425
<b>Total corporate bonds</b>	<b>5,726,761</b>	<b>6,851,012</b>
<b>Equity instruments</b>		
<b>Ordinary corporate shares</b>		
KazMunaiGaz Exploration Production JSC		-
Kazaktelecom JSC	22,799	18,385
Halyk Bank JSC	7,920	8,457
Bank CenterCredit JSC	2	2
Eurasian Natural Resources Corporation	-	-
KAZAKHMYN PLC	7,011	12,949
Anglo-American PLC	4,917	5,730
<b>Preferred corporate shares</b>		
Kazaktelecom JSC	13,294	10,277
KazMunaiGaz Exploration Production JSC	8,389	6,971
<b>Global Depository Receipts</b>		
KazMunaiGaz Exploration Production JSC	14,763	13,838
BTA Bank JSC	2,602	2,601
<b>American Depository Receipts</b>		
MMC Norilsk Nickel OJSC		-
ADR Sberbank	6,317	5,979
<b>Total equity instruments</b>	<b>88,014</b>	<b>85,189</b>
<b>Derivative financial instruments (spot, swap)</b>	<b>24</b>	<b>-</b>
<b>Total:</b>	<b>28,883,034</b>	<b>31,092,844</b>

#### Available-for-sale financial assets

As at 31 March 2013 available-for-sale financial assets were KZT 5,229,759 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
<b>Debt instruments</b>		
<b>Government and municipal bonds</b>		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	371,958	366,888
- Regional authorities and municipal bonds	-	-
<b>Total government and municipal bonds</b>	<b>371,958</b>	<b>366,888</b>
<b>Corporate bonds</b>	1,421,194	1,436,717
<b>Total corporate bonds</b>	<b>1,421,194</b>	<b>1,436,717</b>
<b>Equity instruments</b>		
Corporate shares	3,798,216	3,796,735
<b>Total:</b>	<b>3,798,216</b>	<b>3,796,735</b>
Impairment allowance	(361,609)	
<b>Total net corporate shares</b>	<b>5,229,759</b>	<b>5,600,340</b>



### Loans to customers

As at 31 March 2013 loans to customers were KZT 513,559,481 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
<b>Loans to corporate customers</b>		
Loans to large corporates	336,597,365	301,970,707
Loans to small and medium size companies	129,418,675	134,135,348
<b>Total loans to corporate customers</b>	<b>466,016,040</b>	<b>436,106,055</b>
<b>Loans to retail customers</b>		
Mortgage loans	36,311,081	33,673,640
Consumer loans	24,750,728	23,234,035
Express loans	1,183,449	1,206,821
Auto loans	4,474,252	4,115,217
Credit cards	99,485	89,053
<b>Total loans to retail customers</b>	<b>66,818,995</b>	<b>62,318,766</b>
<b>Gross loans to customers</b>	<b>532,835,035</b>	<b>498,424,821</b>
Impairment allowance	(19,275,554)	(17,986,779)
<b>Net loans to customers</b>	<b>513,559,481</b>	<b>480,438,042</b>

### Held-to-maturity investments

As at 31 March 2013 held-to-maturity investments were KZT 37,043,194 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
<b>Owned by the Group</b>		
<b>Debt instruments</b>		
<b>- Government and municipal bonds</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	35,992,827	17,178,748
Notes of the National Bank of the Republic of Kazakhstan	-	-
<b>Total government and municipal bonds</b>	<b>35,992,827</b>	<b>17,178,748</b>
<b>- Corporate bonds</b>		
Astana Nedvizhimost JSC	1,924,048	1,939,702
Kazakhstan Mortgage Company JSC	151,375	149,153
Gazprom OJSC Eurobonds	-	-
National Welfare Fund Samruk Kazyna JSC	898,992	304,828
<b>Total corporate bonds</b>	<b>2,974,415</b>	<b>2,393,683</b>
Impairment allowance	(1,924,048)	(1,499,036)
<b>Total net corporate bonds</b>	<b>1,050,367</b>	<b>894,647</b>
<b>Total:</b>	<b>37,043,194</b>	<b>18,073,395</b>

### Investment property

	31 March 2013, KZT'000 Land
<b>Cost</b>	
At 31 December 2011	1,267,483
Transfer from property and equipment	-
<b>At 31 December 2012</b>	<b>1,267,483</b>
Transfer from property and equipment	-
<b>At 31 March 2013</b>	<b>1,267,483</b>

Investment property comprises a plot of commercial land located in Almaty.

### Property, equipment and intangible assets

Property, equipment and intangible assets were KZT 10,710,814 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
<b>Property and equipment, including:</b>	<b>9,785,777</b>	<b>9,831,914</b>
- Depreciation of property and equipment	2,476,070	2,261,438
<b>Intangible assets, including:</b>	<b>925,037</b>	<b>991,235</b>
- Depreciation of intangible assets	819,608	742,908
<b>Total:</b>	<b>10,710,814</b>	<b>10,823,149</b>

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

### Current tax asset

	31 March 2013 KZT'000	31 December 2012 KZT'000
Current tax asset	156,233	154,710
<b>Total:</b>	<b>156,233</b>	<b>154,710</b>

### Other assets

As at 31 March 2013 other assets were KZT 25,661,353 thousand (31 December 2012: 22,966,988 thousand tenge) and comprised the following:

	31 March 2013 KZT'000	31 December 2012 KZT'000
Other receivables	12,051,500	10,152,620
Commissions receivable	539,311	522,918
Insurance and reinsurance receivables	2,069,162	1,766,589
Amount due from local commercial bank	210,035	210,035
Impairment allowance	(479,395)	(479,395)
<b>Total other financial assets</b>	<b>14,390,613</b>	<b>12,172,767</b>

Recoverable prepayment	6,710,707	6,744,543
Prepayments for office buildings	654,376	646,524
Prepayments	1,101,275	854,790
Reinsurers' share in insurance contract provisions	1,883,617	1,816,914
Materials and supplies	637,235	621,318
Deferred insurance acquisition costs	384,670	384,325
Other	456,088	299,523
Impairment allowance	(557,228)	(573,716)
<b>Total other non-financial assets</b>	<b>11,270,740</b>	<b>10,794,221</b>
<b>Total other assets</b>	<b>25,661,353</b>	<b>22,966,988</b>

**Liabilities of the Group: KZT 610,240,271 thousand**

**Deposits and balances from banks and other financial institutions**

As at 31 March 2013 deposits and balances from banks and other financial institutions were KZT 10,445,727 thousand, including:

	<b>31 March 2013 KZT'000</b>	<b>31 December 2012 KZT'000</b>
Loans and deposits from banks and other financial institutions	10,407,901	7,747,450
Vostro accounts	37,826	39,441
<b>Total:</b>	<b>10,445,727</b>	<b>7,786,891</b>

**Current accounts and deposits from customers**

As at 31 March 2013 current accounts and deposits from customers were KZT 550,788,340 thousand, including:

	<b>31 March 2013 KZT'000</b>	<b>31 December 2012 KZT'000</b>
<b>Current accounts and demand deposits</b>		
- Corporate	115,082,082	126,945,011
- Retail	9,183,897	7,497,961
- Accrued interest	-	28
<b>Term deposits</b>		
- Corporate	262,098,259	233,500,497
- Retail	161,798,972	148,477,684
- Accrued interest	2,625,130	2,008,737
<b>Total:</b>	<b>550,788,340</b>	<b>518,429,918</b>

**Debt securities issued**

As at 31 March 2013 debt securities issued were KZT 10,867,572 thousand, including:

	<b>31 March 2013 KZT'000</b>	<b>31 December 2012 KZT'000</b>
Nominal	11,913,930	9,925,920
Discount / premium	(1,230,418)	(1,199,271)
Accrued interest	184,060	243,614
<b>Total:</b>	<b>10,867,572</b>	<b>8,970,263</b>

### Subordinated debt

As at 31 March 2013 subordinated debt was KZT 28,018,918 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
Subordinated loans	908,651	936,334
Subordinated bonds	27,110,267	26,456,959
<b>Total:</b>	<b>28,018,918</b>	<b>27,393,293</b>

### Deferred tax liabilities

	31 March 2013 KZT'000	31 December 2012 KZT'000
Deferred tax liabilities	164,457	253,099
<b>Total:</b>	<b>164,457</b>	<b>253,099</b>

### Other liabilities

As at 31 March 2013 other liabilities were KZT 9,955,257 thousand and comprised the following:

	31 March 2013 KZT'000	31 December 2012 KZT'000
Amounts payable in relation to insurance activity	949,431	556,495
Sundry creditors	715,991	448,580
Dividends payable	311,408	248,188
<b>Total other financial liabilities</b>	<b>1,976,830</b>	<b>1,253,263</b>
Insurance allowance	4,204,021	4,017,925
Fees on guarantees and L/C issued	1,865,849	1,460,924
Other prepayments	797,366	415,897
Accrued vacation, settlements with employees	754,008	303,216
Other taxes payable	333,191	216,993
Other non-financial liabilities	23,992	27,725
<b>Total other non-financial liabilities</b>	<b>7,978,427</b>	<b>6,442,680</b>
<b>Total other liabilities</b>	<b>9,955,257</b>	<b>7,695,943</b>

### Equity of the Group: KZT 54,067,551 thousand

#### Issued capital

As at 31 March 2013 the Bank's authorised share capital comprises 30,300,000 ordinary shares and 2,500,000 preference shares. Issued and outstanding share capital less eliminated shares is KZT 34,873,001 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.

#### Share premium

As at 31 March 2013 share premium was KZT 27,481 thousand (31 December 2012: KZT 27,675 thousand).

## Reserves

As at 31 March 2013 reserves were KZT 7,064,635 thousand. The reserves include:

	31 March 2013 KZT'000	31 December 2012 KZT'000
Reserve for general banking risks created out of retained earnings of previous years (reserve capital)	6,989,704	6,989,704
Revaluation reserve for available-for-sale financial assets	(39,437)	(27,983)
Revaluation reserve for property and equipment	11,973	12,191
Equalization insurance reserve	102,395	-
<b>Total:</b>	<b>7,064,635</b>	<b>6,973,912</b>

## Retained earnings/(accumulated deficit)

Retained earnings increased by KZT 3,078,358 thousand and as at 31 March 2013 were KZT 11,850,811 thousand, including:

	31 March 2013 KZT'000	31 December 2012 KZT'000
<b>Retained earnings/(accumulated deficit) as at the beginning of the reporting period</b>	<b>8,772,453</b>	<b>2,045,238</b>
Profit for the period attributable to the Group	3,242,532	11,119,101
Revaluation reserve for property and equipment	218	1,056
Reserve capital formation	-	(4,146,175)
Equalization insurance reserve formation	(102,395)	-
Dividends on preference shares	(61,997)	(246,767)
<b>Retained earnings/(accumulated deficit) as at the end of the reporting period</b>	<b>11,850,811</b>	<b>8,772,453</b>

Due to the acquisition of the subsidiary – Tsesna Capital JSC, the non-controlling interest as at 31 March 2013 was KZT 251,623 thousand (31 December 2012: 251,511 thousand tenge).

## Earnings per share

The calculation of basic earnings per share as at 31 March 2012 is based on the profit attributable to ordinary shareholders. Profit (loss) per share is calculated by dividing the consolidated profit (loss) for the period and a weighted average number of ordinary shares outstanding for the period as follows:

	31 March 2013
Net profit/(loss) attributable to ordinary shareholders, in thousands of KZT	3,242,532
Weighted average number of ordinary shares	30,220,358
Basic earnings/(loss) per share, in KZT	107

$$\text{Carrying value of 1 ordinary share} = \frac{(\text{TA} - \text{IA}) - \text{TL} - \text{PS}}{NO_{CS}} =$$
$$\frac{(664307822 - 925037) - 610240271 - 2479894}{30216855} = \text{KZT } 1677$$

**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<sub>CS</sub>** – number of ordinary shares at the date of calculation.

$$\text{Carrying value of 1 preference share} = \frac{TD_{PS} + PS}{NO_{PS}} =$$

$$\frac{309987 + 2479894}{2479894} = \text{KZT } 1125$$

**TD<sub>PS</sub>** – 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<sub>PS</sub>** – number of preference shares at the date of calculation

### INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 March 2013

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

#### Net interest income

	31 March 2013 KZT’000	31 March 2012 KZT’000
<b>Interest income</b>		
Loans to customers	16,108,773	13,221,079
Held-to-maturity investments	341,393	(46,407)
Financial instruments at fair value through profit or loss	265,202	310,188
Deposits and balances to banks and other financial institutions	154,051	75,850
Available-for-sale financial assets	27,125	6,757
Repurchase agreements	6,906	4,199
Cash and cash equivalents	490	1,340
<b>Total:</b>	<b>16,903,940</b>	<b>13,573,006</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(7,930,847)	(5,128,652)
Deposits and balances from banks and other financial institutions	(152,675)	(302,252)
Debt securities issued	(198,273)	(207,248)
Subordinated debt	(591,331)	(342,054)
Amounts payable under repurchase agreements	(50,567)	(17,624)
Due to the Government of the Republic of Kazakhstan	-	(167)
<b>Total:</b>	<b>(8,923,693)</b>	<b>(5,997,997)</b>
<b>Net interest income</b>	<b>7,980,247</b>	<b>7,575,009</b>

### Net fee and commission income

<b>Fee and commission income</b>	<b>31 March 2013 KZT'000</b>	<b>31 March 2012 KZT'000</b>
Transfer operations	440,376	327,602
Guarantee and letter of credit issuance fees	449,070	1,616,405
Cash withdrawal fees	292,128	210,690
Customer accounts maintenance fees	168,920	118,668
Foreign exchange fees	180,561	148,868
Cash collection fees	6,631	6,298
Early credit repayment fee	410,114	-
Other	130,891	159,072
<b>Total:</b>	<b>2,078,691</b>	<b>2,587,603</b>
<b>Fee and commission expense</b>		
Transfer operations	(29,543)	(29,588)
Commission expense on received deposits	(75,211)	(54,725)
Client card account maintenance fees	(65,610)	(13,969)
Brokerage and insurance	(4,623)	(8,792)
Commission expense on received guarantee services	(5,615)	(760)
Insurance acquisition costs	(235,404)	(156,099)
Other	(15,758)	(17,911)
<b>Total:</b>	<b>(431,764)</b>	<b>(281,844)</b>
<b>Net fee and commission income</b>	<b>1,646,927</b>	<b>2,305,759</b>

Net earned insurance premiums for the three months ended 31 March 2013 were KZT **1,151,772** thousand, for the three months of the previous year: KZT **519,346** thousand.

Accrued insurance claims for the first three months of 2013 are KZT **(343,390)** thousand.

Net gain/(loss) on financial instruments at fair value through profit or loss for the three months ended 31 March 2013 was KZT **(30,165)** thousand, for the three months of the previous year: KZT **82,382** thousand.

### Net foreign exchange income

	<b>31 March 2013 KZT'000</b>	<b>31 March 2012 KZT'000</b>
Gain on spot transactions and derivatives	606,921	334,523
Loss from revaluation of financial assets and liabilities	(1,265)	(5,231)
<b>Total:</b>	<b>605,656</b>	<b>329,292</b>

Dividend income for the three months ended 31 March 2013 was KZT **68** thousand, for the three months of the previous year: KZT **227** thousand.

### Operating income

	<b>31 March 2013 KZT'000</b>	<b>31 March 2012 KZT'000</b>
Penalties	490	517
Gain/(loss) on sale of property, equipment and inventory	(105)	(1,712)
Other income	113,181	24,941
<b>Total:</b>	<b>113,566</b>	<b>23,746</b>

**Impairment losses**

	31 March 2013 KZT'000	31 March 2012 KZT'000
Loans to customers	(1,291,268)	(1,585,564)
Commitments	(522)	-
Available-for-sale assets	(361,681)	
Held-to-maturity investments	(425,012)	
Other assets	(2,780)	27
<b>Total:</b>	<b>(2,081,263)</b>	<b>(1,585,537)</b>

**Personnel expenses**

	31 March 2013 KZT'000	31 March 2012 KZT'000
Employee compensation	(2,133,397)	(1,997,455)
Payroll related taxes	(159,654)	(149,454)
<b>Total:</b>	<b>(2,293,051)</b>	<b>(2,146,909)</b>

**Other general and administrative expenses**

	31 March 2013 KZT'000	31 March 2012 KZT'000
Occupancy	888,801	694,687
Depreciation and amortisation	332,065	178,901
Taxes other than on income	197,614	135,107
Repairs and maintenance	222,581	149,902
Contributions to deposit insurance fund	190,592	124,280
Advertising and marketing	177,129	123,233
Transportation	102,511	83,587
Charity and sponsorship	43,890	821
Security	112,823	82,900
Insurance	953	12,051
Communications and information services	76,351	61,090
Travel expenses	35,612	29,680
Stationery and office equipment supplies	72,748	43,617
Encashment expenses	36,710	21,891
Market-maker services	2,269	-
Professional services	135,343	36,114
Training	6,145	7,576
Post and courier services	17,886	7,510
Other	187,958	179,427
<b>Total:</b>	<b>2,839,981</b>	<b>1,972,374</b>

Income tax expense for the nine months ended 31 March 2013 was KZT (667,742) thousand, for the three months of the previous year: KZT (948,846) thousand.

Profit for the three months ended 31 March 2013 was KZT 3,242,644 thousand (for the first three months of 2012: KZT 4,182,095 thousand), including the amount attributable to the Bank of KZT 3,242,532 thousand (for the first three months of 2012: KZT 4,177,493 thousand) and to non-controlling interests of KZT 112 thousand (for the first three months of 2013: KZT 4,602 thousand).



## INFORMATION ON CASH FLOWS FOR THE THREE MONTHS ENDED 31 March 2013

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 the three months of 2013, had an outflow of cash and cash equivalents amounting to KZT 7,521,016 thousand, including:

- from operating activities – inflow of cash of KZT 9,344,942 thousand;
- from investing activities – outflow of cash of KZT 19,696,770 thousand;
- from financing activities – inflow of cash of KZT 2,829,915 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) was KZT 897 thousand.

## INFORMATION TO THE STATEMENT ON CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 March 2013

The equity of the Group at the reporting date was KZT 54,067,551 thousand, including equity attributable to non-controlling interests of KZT 251,623 thousand and equity attributable to the Bank of KZT 53,815,928 thousand.

The changes were as follows:

- Share capital decreased by KZT 4,461 thousand due to elimination of treasury shares resulting from the acquisition of subsidiary – Tsesna Capital JSC;
- Share premium decreased by KZT 194 thousand;
- Revaluation reserve for property and equipment decreased by KZT 218 thousand as a result of transfer to retained earnings
- Revaluation reserve for available-for-sale assets decreased by KZT 11,454 thousand;
- Equalization insurance reserve increased by KZT 102,395 thousand;
- Retained earnings increased by KZT 3,078,358 thousand. The information on the change in retained earnings is available on page 13 of this Explanatory Note to the financial statements.

Chairman of the Management Board

  
D.A. Zhaksybek

Chief Accountant

  
N.M. Bagautdinova

