

**EXPLANATORY NOTE  
TO THE FINANCIAL STATEMENTS OF  
TSESNA BANK JSC  
AS AT 30 SEPTEMBER 2012**

This explanatory note to the financial statements of Tsesnabank JSC as at 30 September 2012 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 9 months ended 30 September 2012 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.

At 30 September 2012, Tsesna Corporation JSC owned 60.21% of the outstanding ordinary shares of the Bank. Other shareholders have less than 5% of the outstanding shares each.

As at 30 September 2012 the Bank has 21 branches and 95 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 30 September 2012, 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.

Tsesna Garant 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 30 September 2012, the share capital comprises 21,200 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 30 September 2012 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 30 September 2012, 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.

## **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 30 September 2012, the official exchange rate established by the National Bank of the Republic of Kazakhstan is KZT 149.86 for 1 US dollar. The average weighted rate for the 9 months ended 30 September 2012 is KZT 148.66 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. Cash also includes funds on transit accounts.

### ***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 30 SEPTEMBER 2012**

The Statement of Financial Position of Tsesnabank JSC is prepared as at 30 September 2012.

### **Assets of the Group: KZT 546,788,506 thousand**

#### **Cash and cash equivalents**

As at 30 September 2012 cash and cash equivalents were KZT 11,533,547 thousand.

	<b>30 September 2012 KZT'000</b>	<b>31 December 2011 KZT'000</b>
Cash on hand	10,610,954	8,381,195
Nostro accounts with the NBRK	10,385,900	16,906,991
Mandatory reserve with the NBRK	(11,852,269)	(9,316,220)
Nostro accounts with other banks	2,324,387	3,255,775
Deposits and balances to other banks	64,575	103,619
<b>Total cash and cash equivalents</b>	<b>11,533,547</b>	<b>19,331,360</b>

As at 30 September 2012 none of cash and cash equivalents are impaired or past due.

### Deposits and balances to banks

As at 30 September 2012 deposits and balances to banks and other financial institutions were KZT 16,844,093 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Mandatory reserve with the NBRK	11,852,269	9,316,220
Loans and deposits	5,039,954	4,673,926
Impairment allowance	(48,130)	(48 130)
<b>Net deposits and balances to banks</b>	<b>16,844,093</b>	<b>13,942,016</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 (2011: overdue for more than 360 days of KZT 48,130 thousand).

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

As at 30 September 2012 financial instruments at fair value through profit or loss were KZT 42,478,673 thousand, including:

	30 September 2012 KZT'000	31 December 2011 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	25,586,441	15,222,036
Notes of the National Bank of the Republic of Kazakhstan	9,965,105	19,154,971
<b>Total government and municipal bonds</b>	<b>35,551,546</b>	<b>34,377,007</b>
<b>Corporate bonds</b>		
Bank CenterCredit JSC		-
Kazakhstan Mortgage Company JSC	1,012,548	1,056,270
Sberbank JSC	1,091,086	1,123,693
Bank VTB OJSC	408,496	417,871
Development Bank of Kazakhstan - Leasing JSC	930,718	963,982
NAC Kazatomprom JSC		-
NC KazMunaiGaz JSC	963,896	975,405
NC Food Contract Corporation JSC	704,110	702,909
National Welfare Fund Samruk Kazyna JSC	769,961	768,079
Halyk Bank JSC	961,385	318,191
<b>Total corporate bonds</b>	<b>6,842,200</b>	<b>6,326,400</b>
<b>Equity instruments</b>		
<b>Ordinary corporate shares</b>		
KazMunaiGaz Exploration Production JSC		472,840
Kazaktelecom JSC	18,323	17,652
Halyk Bank JSC	7,130	5,911
Bank CenterCredit JSC	2,00	3
Eurasian Natural Resources Corporation		90,446
KAZAKHMYN PLC	11,976	14,627
Anglo-American PLC	5,735	6,745
<b>Preferred corporate shares</b>		

Kazaktelecom JSC	11,128	8,234
KazMunaiGaz Exploration Production JSC	6,952	8,409
<b>Global Depository Receipts</b>		
KazMunaiGaz Exploration Production JSC	14,055	70,286
BTA Bank JSC	2,586	2,560
<b>American Depository Receipts</b>		
MMC Norilsk Nickel OJSC		80,878
Sberbank	6,009	5,069
<b>Total equity instruments</b>	<b>83,896</b>	<b>783,660</b>
<b>Derivative financial instruments (spot)</b>	<b>1,031</b>	<b>-</b>
<b>Total:</b>	<b>42,478,673</b>	<b>41,487,067</b>

#### Available-for-sale financial assets

As at 30 September 2012 available-for-sale financial assets were KZT 3,745,812 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
<b>Debt instruments</b>		
<b>Government and municipal bonds</b>		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	585,697	602,654
- Regional authorities and municipal bonds		
<b>Total government and municipal bonds</b>	<b>585,697</b>	<b>602,654</b>
<b>Corporate bonds</b>	1,438,020	420,762
<b>Total corporate bonds</b>	<b>1,438,020</b>	<b>420,762</b>
<b>Equity instruments</b>		
Corporate shares	1,722,095	1,709,685
<b>Total:</b>	<b>3,745,812</b>	<b>2,733,101</b>

#### Loans to customers

As at 30 September 2012 loans to customers were KZT 428,606,877 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
<b>Loans to corporate customers</b>		
Loans to large corporates	251,969,149	261,582,644
Loans to small and medium size companies	125,849,005	45,783,878
<b>Total loans to corporate customers</b>	<b>377,818,154</b>	<b>307,366,522</b>
<b>Loans to retail customers</b>		
Mortgage loans	30,714,216	23,017,186
Consumer loans	29,662,752	17,096,571
Express loans	1,228,042	1,225,229
Auto loans	3,516,345	1,151,352
Credit cards	78,075	98,271
<b>Total loans to retail customers</b>	<b>65,199,430</b>	<b>42,588,609</b>
<b>Gross loans to customers</b>	<b>443,017,584</b>	<b>349,955,131</b>
Impairment allowance	(14,410,707)	(11,810,569)
<b>Net loans to customers</b>	<b>428,606,877</b>	<b>338,144,562</b>



### Held-to-maturity investments

As at 30 September 2012 held-to-maturity investments were KZT 19,295,060 thousand, including:

	30 September 2012 KZT'000	31 December 2011 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	7,101,717	4,408,238
Notes of the National Bank of the Republic of Kazakhstan	10,980,343	-
<b>Total government and municipal bonds</b>	<b>18,082,060</b>	<b>4,408,238</b>
<b>- Corporate bonds</b>		
Astana Nedvizhimost JSC	1,955,186	1,998,715
Kazakhstan Mortgage Company JSC	151,069	167,307
Gazprom OJSC Eurobonds	605,781	587,566
<b>Total corporate bonds</b>	<b>2,712,036</b>	<b>2,753,588</b>
Impairment allowance	(1,499,036)	(1,499,036)
<b>Total net corporate bonds</b>	<b>1,213,000</b>	<b>1,254,552</b>
<b>Total:</b>	<b>19,295,060</b>	<b>5,662,790</b>

### Investment property

	30 September 2012, KZT'000 Land
<b>Cost</b>	
At 31 December 2010	1,267,483
Transfer from property and equipment	-
<b>At 31 December 2011</b>	<b>1,267,483</b>
Transfer from property and equipment	-
<b>At 30 September 2012</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 10,167,353 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
<b>Property and equipment, including:</b>	<b>9,427,446</b>	<b>8,320,355</b>
- Depreciation of property and equipment	2,131,582	1,971,861
<b>Intangible assets, including:</b>	<b>739,907</b>	<b>557,202</b>
- Depreciation of intangible assets	670,511	527,991
<b>Total:</b>	<b>10,167,353</b>	<b>8,877,557</b>

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

**Current tax asset**

	30 September 2012 KZT'000	31 December 2011 KZT'000
Current tax asset	284	0
<b>Total:</b>	<b>284</b>	<b>0</b>

**Deferred tax asset**

	30 September 2012 KZT'000	31 December 2011 KZT'000
Deferred tax asset	136,151	227,076
<b>Total:</b>	<b>136,151</b>	<b>227,076</b>

**Other assets**

As at 30 September 2012 other assets were KZT 11,062,281 thousand and comprised the following:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Other receivables	5,129,927	3,868,976
Commissions receivable	95,273	495,101
Insurance and reinsurance receivables	1,375,174	440,369
Amount due from local commercial bank	210,035	210,035
Impairment allowance	(315,570)	(312,628)
<b>Total other financial assets</b>	<b>6,494,839</b>	<b>4,701,853</b>
Prepayments for office buildings	349,067	660,652
Prepayments	1,095,826	585,082
Reinsurers' share in insurance contract provisions	1,959,130	505,367
Materials and supplies	535,030	441,283
Deferred insurance acquisition costs	100,744	100,574
Other	997,910	611,250
Impairment allowance	(470,265)	(289,765)
<b>Total other non-financial assets</b>	<b>4,567,442</b>	<b>2,614,443</b>
<b>Total other assets</b>	<b>11,062,281</b>	<b>7,316,296</b>

**Liabilities of the Group: KZT 495,185,059 thousand****Due to the Government and regional authorities of the Republic of Kazakhstan**

	30 September 2012 KZT'000	31 December 2011 KZT'000
Loans from the Government and regional authorities of the Republic of Kazakhstan	0	15,488
<b>Total:</b>	<b>0</b>	<b>15,488</b>

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

As at 30 September 2012 deposits and balances from banks and other financial institutions were KZT 8,590,078 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Loans and deposits from banks and other financial institutions	8,555,777	17,727,959
Vostro accounts	34,301	33,084
<b>Total:</b>	<b>8,590,078</b>	<b>17,761,043</b>

#### Current accounts and deposits from customers

As at 30 September 2012 current accounts and deposits from customers were KZT 449,381,714 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
<b>Current accounts and demand deposits</b>		
- Corporate	130,327,470	93,397,346
- Retail	9,153,489	6,904,165
- Accrued interest	-	-
<b>Term deposits</b>		
- Corporate	177,473,001	148,632,873
- Retail	130,685,330	92,573,429
- Accrued interest	1,742,424	1,234,553
<b>Total:</b>	<b>449,381,714</b>	<b>342,742,366</b>

#### Debt securities issued

As at 30 September 2012 debt securities issued were KZT 6,898,733 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Nominal	7,920,920	9,428,692
Discount / premium	(1,150,048)	(1,133,504)
Accrued interest	127,861	253,821
<b>Total:</b>	<b>6,898,733</b>	<b>8,549,009</b>

The summary of bond issues at 30 September 2012 and 31 December 2011 is presented below:

	Issue date	Maturity	Coupon rate	30 September 2012 KZT'000	31 December 2011 KZT'000
KZT denominated bonds of the second issue*	08.08.2005	08.08.2012	9%	-	3,036,122
KZT denominated bonds of the sixth issue*	14.12.2006	14.12.2015	6%	2,361,342	2,376,827
KZT denominated bonds of the seventh issue*	11.07.2007	11.07.2027	7.5%	2,568,094	2,633,396
KZT denominated bonds of the ninth issue*	12.07.2011	12.07.2014	6%	1,969,297	502,664
				<b>6,898,733</b>	<b>8,549,009</b>

\* Quoted on Kazakhstan Stock Exchange

### Subordinated debt

As at 30 September 2012 subordinated debt was KZT 21,353,607 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Subordinated loans	911,894	901,084
Subordinated bonds	20,441,713	12,559,061
<b>Total:</b>	<b>21,353,607</b>	<b>13,461,037</b>

### Amounts payable under repurchase agreements

	30 September 2012 KZT'000	31 December 2011 KZT'000
Amounts payable under repurchase agreements	-	18,589,041

As at 30 September 2012 amounts payable under repurchase agreements were collateralised by the following instruments:

	30 September 2012 KZT'000	31 December 2011 KZT'000
<b>Government bonds and notes</b>		
Notes of NBRK	-	11,526,318
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan		8,244,048
		<b>19,770,366</b>
<b>Equity investments</b>		
Corporate shares	-	-
<b>Total:</b>	<b>-</b>	<b>19,770,366</b>

### Current tax liabilities

	30 September 2012 KZT'000	31 December 2011 KZT'000
Current tax liabilities	990,423	9,381
<b>Total:</b>	<b>990,423</b>	<b>9,381</b>

### Other liabilities

As at 30 September 2012 other liabilities were KZT 7,970,504 thousand and comprised the following:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Dividends payable	186,534	250,529
Sundry creditors	815,443	155,010
Amounts payable in relation to insurance activity	1,191,730	199,602
<b>Total other financial liabilities</b>	<b>1,877,739</b>	<b>605,141</b>
Unearned insurance premiums	4,107,699	1,471,588
Accrued vacation, settlements with employees	1,040,969	248,447
Accrued vacation	249,215	228,942
Other taxes payable	250,133	84,942
Fees on guarantees issued	1,266,369	128,592
Other non-financial liabilities	219,349	87,435
<b>Total other non-financial liabilities</b>	<b>6,092,765</b>	<b>2,001,499</b>
<b>Total other liabilities</b>	<b>7,970,504</b>	<b>2,606,640</b>

## Equity of the Group: KZT 51,603,447 thousand

### Issued capital

As at 30 September 2012 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 32,459,421 thousand in respect of ordinary shares and KZT 2,468,175 thousand in respect of preference shares (80,579/31,825 is the amount of elimination in respect of ordinary/preference shares held by the Bank's subsidiary Tsesna Capital JSC).

As at 30 September 2012 the Group accrued dividends on preference shares amounting to KZT 187,500 thousand (31 December 2011: KZT 250,000 thousand).

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 30 September 2012 share premium was KZT 27,539 thousand (31 December 2011: KZT 27,539 thousand).

### Reserves

As at 30 September 2012 reserves were KZT 7,032,541 thousand. The reserves include:

	30 September 2012 KZT'000	31 December 2011 KZT'000
Reserve for general banking risks created out of retained earnings of previous years (reserve capital)	6,989,704	2,843,529
Revaluation reserve for available-for-sale financial assets	8,008	29,992
Revaluation reserve for property and equipment	12,409	13,247
Cumulative reserve for translation into presentation currency	22,420	78,453
<b>Total:</b>	<b>7,032,541</b>	<b>2,965,221</b>

### Retained earnings/(accumulated deficit)

Retained earnings increased by KZT 7,328,029 thousand and as at 30 September 2012 were KZT 9,373,267 thousand, including:

	30 September 2012 KZT'000	31 December 2011 KZT'000
<b>Retained earnings/(accumulated deficit) as at the beginning of the reporting period</b>	<b>2,045,238</b>	<b>(2,030,483)</b>
Profit for the period attributable to the Group	11,658,479	4,391,088
Dividends on preference shares	(185,113)	(250,000)
Revaluation reserve for property and equipment	838	882
Reserve capital formation	(4,146,175)	(66,249)
<b>Retained earnings/(accumulated deficit) as at the end of the reporting period</b>	<b>9,373,267</b>	<b>2,045,238</b>

Due to the acquisition of the subsidiary – Tsesna Capital JSC, the non-controlling interest as at 30 September 2012 was KZT 242,504 thousand.

### 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:

	<u>30 September 2012</u>
Net profit/(loss) attributable to ordinary shareholders, in thousands of KZT	11,658,479
Weighted average number of ordinary shares	28,321,151
Basic earnings/(loss) per share, in KZT	<u>411,65</u>

$$\text{Carrying value of } \underline{\mathbf{1 \text{ ordinary share}}} = \frac{(\text{TA} - \text{IA}) - \text{TL} - \text{PS}}{\text{NO}_{\text{CS}}} =$$
$$\frac{(546788506 - 739907) - 495185059 - 2468175}{30229822} = \text{KZT } 1601$$

**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.

$$\text{Carrying value of } \underline{\mathbf{1 \text{ preference share}}} = \frac{\text{TD}_{\text{PS}} + \text{PS}}{\text{NO}_{\text{PS}}} =$$
$$\frac{185113 + 2468175}{2468175} = \text{KZT } 1075$$

**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 NINE MONTHS ENDED 30 SEPTEMBER 2012

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

### Net interest income

	30 September 2012 KZT'000	30 September 2011 KZT'000
<b>Interest income</b>		
Loans to customers	38,752,661	21,216,684
Held-to-maturity investments	53,843	377,375
Financial instruments at fair value through profit or loss	1,015,523	489,825
Deposits and balances to banks and other financial institutions	241,431	149,598
Available-for-sale financial assets	52,625	51,268
Repurchase agreements	15,542	-
Cash and cash equivalents	8,818	25,113
<b>Total:</b>	<b>40,140,443</b>	<b>22,309,863</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(16,968,660)	(11,296,325)
Deposits and balances from banks and other financial institutions	(759,476)	(731,123)
Debt securities issued	(603,042)	(513,129)
Subordinated debt	(1,274,083)	(642,643)
Amounts payable under repurchase agreements	(35,679)	(4,004)
Due to the Government of the Republic of Kazakhstan	(261)	(1,242)
<b>Total:</b>	<b>(19,641,201)</b>	<b>(13,188,466)</b>
<b>Net interest income</b>	<b>20,499,242</b>	<b>9,121,397</b>

### Net fee and commission income

	30 September 2012 KZT'000	30 September 2011 KZT'000
<b>Fee and commission income</b>		
Transfer operations	1,195,722	864,529
Guarantee and letter of credit issuance fees	2,959,009	915,783
Cash withdrawal fees	849,839	662,637
Customer accounts maintenance fees	408,012	278,102
Foreign exchange fees	565,096	219,190
Cash collection fees	22,660	18,853
Other	940,201	1,648,480
<b>Total:</b>	<b>6,940,539</b>	<b>4,607,574</b>
<b>Fee and commission expense</b>		
Transfer operations	(102,056)	(69,810)
Commission expense on received deposits	(189,792)	(109,050)
Client card account maintenance fees	(57,057)	(35,890)
Brokerage	(580,660)	(72,920)
Net insurance claims incurred	(439,153)	(54,643)
Other	(50,168)	(37,201)
<b>Total:</b>	<b>(1,418,886)</b>	<b>(379,514)</b>
<b>Net fee and commission income</b>	<b>5,521,653</b>	<b>4,228,060</b>

Net earned insurance premiums for the nine months ended 30 September 2012 were KZT 2,639,597 thousand, for the nine months of the previous year: KZT 227,846 thousand.

Net gain/(loss) on financial instruments at fair value through profit or loss for the nine months ended 30 September 2012 was KZT 231,940 thousand, for the nine months of the previous year: KZT (634,652) thousand.

**Net foreign exchange income**

	30 September 2012 KZT'000	30 September 2011 KZT'000
Gain on spot transactions and derivatives	1,273,666	780,292
Loss from revaluation of financial assets and liabilities	8,473	(28,072)
<b>Total:</b>	<b>1,282,139</b>	<b>752,220</b>

Dividend income for the nine months ended 30 September 2012 was KZT 17,918 thousand, for the nine months of the previous year: KZT 38,876 thousand.

**Operating income**

	30 September 2012 KZT'000	30 September 2011 KZT'000
Penalties	1,901	38,629
Gain/(loss) on sale of property, equipment and inventory	(3,100)	(1,350)
Other income	74,354	63,200
<b>Total:</b>	<b>73,155</b>	<b>100,479</b>

**Impairment losses**

	30 September 2012 KZT'000	30 September 2011 KZT'000
Loans to customers	(3,127,603)	(869,836)
Commitments	-	(21,249)
Other assets	(358,098)	(285,767)
<b>Total:</b>	<b>(3,485,701)</b>	<b>(1,176,852)</b>

**Personnel expenses**

	30 September 2012 KZT'000	30 September 2011 KZT'000
Employee compensation	(5,711,822)	(3,641,690)
Payroll related taxes	(426,709)	(262,424)
<b>Total:</b>	<b>(6,138,531)</b>	<b>(3,904,114)</b>

**Other general and administrative expenses**

	30 September 2012 KZT'000	30 September 2011 KZT'000
Occupancy	(2,125,464)	(1,877,381)
Depreciation and amortisation	(603,866)	(420,179)
Taxes other than on income	(499,321)	(437,297)
Contributions to deposit insurance fund	(417,328)	(443,470)
Advertising and marketing	(373,754)	(246,394)
Charity and sponsorship	(279,540)	(296,023)
Transportation	(259,769)	(164,372)



Security	(256,577)	(158,671)
Professional services	(244,734)	(57,192)
Support of software	(171,077)	(156,801)
Communications and information services	(168,643)	(111,729)
Travel expenses	(124,500)	(68,864)
Stationery and office equipment supplies	(79,955)	(17,047)
Repairs and maintenance	(79,764)	(35,651)
Encashment expenses	(73,796)	(37,372)
Post and courier services	(25,340)	(13,100)
Training	(22,284)	(25,973)
Insurance	(7,375)	(33,845)
Other	(980,371)	(621,399)
<b>Total:</b>	<b>(6,793,458)</b>	<b>(5,222,760)</b>

Income tax expense for the nine months ended 30 September 2012 was KZT (2,192,366) thousand, for the nine months of the previous year: KZT (695,760) thousand.

Profit for the nine months ended 30 September 2012 was KZT 11,655,588 thousand (for the nine months ended 30 September 2011: KZT 2,834,740 thousand), including the amount attributable to the Bank of KZT 11,658,479 thousand and to non-controlling interests of KZT (2,891) thousand.

#### **INFORMATION ON CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

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 nine months of 2012, had an outflow of cash and cash equivalents amounting to KZT 7,797,813 thousand, including:

- from operating activities – outflow of cash of KZT 2,877,673 thousand;
- from investing activities – outflow of cash of KZT 16,183,269 thousand;
- from financing activities – inflow of cash of KZT 11,318,893 thousand.

The outflow 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 55,764 thousand.

#### **INFORMATION TO THE STATEMENT ON CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012**

The equity of the Group at the reporting date was KZT 51,603,447 thousand, including equity attributable to non-controlling interests of KZT 242,504 thousand and equity attributable to the Bank of KZT 51,360,943 thousand.

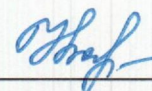
The changes were as follows:

- Share capital increased by KZT 4,955,686 thousand due to issuance of shares for the amount of KZT 5,040,000 thousand and elimination of treasury shares held by the acquired subsidiary – Tsesna Capital JSC for the amount of KZT (84,314) thousand;
- Revaluation reserve for property and equipment decreased by KZT 838 thousand as a result of transfer to retained earnings
- Revaluation reserve for available-for-sale assets decreased by KZT 21,984 thousand;

- Foreign currency translation reserve for foreign operations decreased by KZT 56,033 thousand;
- Reserve for general banking risks increased by KZT 4,146,175 thousand; and
- Retained earnings increased by KZT 7,328,029 thousand. The information on the change in retained earnings is available on page 13 of this Explanatory Note to the financial statements.



**D.A. Zhaksybek**  
**Chairman of the Management Board**



**N.M. Bagautdinova**  
**Chief Accountant**