

**EXPLANATORY NOTE
TO THE FINANCIAL STATEMENTS OF
TSESNA BANK JSC
AS AT 30 SEPTEMBER 2013**

This explanatory note to the financial statements of Tsesnabank JSC as at 30 September 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 financial and economic activities 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 of 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 on the basis of 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 the following: attraction of deposits, opening and maintenance of customer accounts, lending, issue of 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 30 September 2013 the Bank has 22 branches and 124 sub-branches from which it conducts business throughout 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 30 September 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 30 September 2013, the share capital comprises 36,200 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 KZT 277,950 thousand 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 30 September 2013 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 thousand tenge.

According to the resolution of NBRK 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, 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 30 September 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 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 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 on 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 null 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, changes in the capital – 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 2013, the official exchange rate established by the National Bank of the Republic of Kazakhstan was KZT 153.81 for 1 US dollar. The average weighted rate for the 9 months of 2013 was KZT 151.59 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 and coins, unrestricted balances (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 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.

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 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.

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 assessed 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 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.

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 2013

The Statement of Financial Position of Tsesnabank JSC is prepared as at 30 September 2013.

Assets of the Group: KZT 797,406,735 thousand

Cash and cash equivalents

As at 30 September 2013 cash and cash equivalents were KZT 34,863,428 thousand.

	30 September 2013 KZT'000	31 December 2012 KZT'000
Cash on hand	19,522,147	10,306,476
Nostro accounts with the NBRK	12,953,915	29,447,090
Mandatory reserve with the NBRK	(8,015,641)	(6,845,307)
Nostro accounts with other banks	10,152,145	2,365,931
Deposits and balances on current accounts	250,862	162,929
Total cash and cash equivalents	34,863,428	35,437,119

As at 30 September 2013 none of cash and cash equivalents are impaired or past due.

Deposits and balances with banks

As at 30 September 2013 deposits and balances with banks and other financial institutions were KZT 15,942,808 thousand, including:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Mandatory reserve with the NBRK	8,015,641	6,845,307
Loans and deposits	7,803,293	8,504,168
Reverse repurchase transaction	172,004	277,005
Reserves for possible losses	(48,130)	(48,130)
Net loans and advances to banks	15,942,808	15,578,350

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

Financial instruments at fair value through profit or loss

As at 30 September 2013 financial instruments (securities) at fair value through profit or loss were KZT 21,206,924 thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Intended for sale		
Debt and other fixed-income instruments		
Government and municipal bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	17,822,789	24,156,643
Notes of the National Bank of the Republic of Kazakhstan	-	-
Total government and municipal bonds	17,822,789	24,156,643

Corporate bonds		
Kazakhstan Mortgage Company JSC	-	1,036,185
Sberbank JSC	1,076,336	1,089,857
Bank VTB OJSC	408,496	397,231
Development Bank of Kazakhstan - Leasing JSC	934,895	949,082
NC KazMunaiGaz JSC	-	974,858
NC Food Contract Corporation JSC	252,725	700,152
National Welfare Fund Samruk Kazyna JSC	138,605	762,222
Halyk Bank JSC	520,117	941,425
Total corporate bonds	3,331,174	6,851,012
Equity instruments		
Ordinary corporate shares		
Kazaktelecom JSC	13,230	18,385
Halyk Bank JSC	-	8,457
Bank CenterCredit JSC	2	2
KAZAKHMYS PLC	4,698	12,949
Anglo-American PLC	4,785	5,730
Preferred corporate shares		
Kazaktelecom JSC	4,784	10,277
KazMunaiGaz Exploration Production JSC	7,044	6,971
Global Depository Receipts		
KazMunaiGaz Exploration Production JSC	11,609	13,838
BTA Bank JSC	637	2,601
American Depository Receipts		
ADR Sberbank	6,172	5,979
Total equity instruments	52,961	85,189
Total:	21,206,924	31,092,844

Available-for-sale financial assets

As at 30 September 2013 available-for-sale financial assets were KZT 4,830,649 thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Debt instruments		
Government and municipal bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	361,118	366,888
- Regional authorities and municipal bonds	-	-
Total government and municipal bonds	361,118	366,888
Corporate bonds	1,419,433	1,436,717
Total corporate bonds	1,419,433	1,436,717
Equity instruments		
Corporate shares	3,418,827	3,796,735
Total:	5,199,378	5,600,340
Reserves for possible losses	(368,729)	-
Total	4,830,649	5,600,340

Loans to customers

As at 30 September 2013 loans to customers were KZT **641,885,498** thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Loans to corporate customers		
Loans to large corporates	469,158,335	301,970,707
Loans to small and medium-sized enterprises	104,274,039	134,135,348
Total loans to corporate customers	573,432,374	436,106,055
Loans to retail customers		
Mortgage loans	45,991,343	33,673,640
Consumer loans	26,139,110	23,234,035
Express loans	2,215,078	1,206,821
Car loans	18,648,966	4,115,217
Credit cards	108,971	89,053
Total loans to retail customers	93,103,468	62,318,766
Gross loans to customers	666,535,842	498,424,821
Reserves for possible losses	(24,650,344)	(17,986,779)
Net loans to customers	641,885,498	480,438,042

Held-to-maturity investments

As at 30 September 2013 held-to-maturity investments were KZT **30,980,670** thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Owned by the Group		
Debt instruments		
- Government and municipal bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	29,934,261	17,178,748
Notes of the National Bank of the Republic of Kazakhstan	-	-
Total government and municipal bonds	29,934,261	17,178,748
- Corporate bonds		
Astana Nedvizhimost JSC	1,891,299	1,939,702
Kazakhstan Mortgage Company JSC	138,011	149,153
Gazprom OJSC Eurobonds	-	-
National Welfare Fund Samruk Kazyna JSC	908,398	304,828
Total corporate bonds	2,937,708	2,393,683
Reserves for possible losses	(1,891,299)	(1,499,036)
Total net corporate bonds	1,046,409	894,647
Total:	30,980,670	18,073,395

Investment property

	30 September 2013, KZT'000
	Land
Cost	
As at 31 December 2011	1,267,483
Transfer from property and equipment	-
As at 31 December 2012	1,267,483
Transfer from property and equipment	-
As at 30 June 2013	1,267,483

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

Property, equipment and intangible assets

Property, equipment and intangible assets were KZT 19,459,632 thousand, including:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Property and equipment, including:	18,442,462	9,831,914
- Depreciation of property and equipment	2,925,878	2,261,438
Intangible assets, including:	1,017,170	991,235
- Depreciation of intangible assets	983,698	742,908
Total:	19,459,632	10,823,149

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

Current tax asset

	30 September 2013 KZT'000	31 December 2012 KZT'000
Current tax asset	300	154,710
Total:	300	154,710

Other assets

As at 30 September 2013 other assets were KZT 26,969,343 thousand

	30 September 2013 KZT'000	31 December 2012 KZT'000
Other receivables	10,185,514	10,152,620
Commissions receivable	1,039,440	522,918
Insurance and reinsurance receivables	1,850,321	1,766,589
Amount due from local commercial bank	210,035	210,035
Reserves for possible losses	(260,382)	(479,395)
Total other financial assets	13,024,928	12,172,767
Recoverable prepayment	6,643,036	6,744,543
Prepayments for office buildings	1,589,796	646,524
Prepayments	2,490,676	854,790
Reinsurers' share in insurance contract provisions	2,357,281	1,816,914

Materials and supplies	791,004	621,318
Deferred insurance acquisition costs	302,960	384,325
Other	325,516	299,523
Reserves for possible losses	(555,854)	(573,716)
Total other non-financial assets	13,944,415	10,794,221
Total other assets	26,969,343	22,966,988

Liabilities of the Group: KZT 729,195,589 thousand

Deposits and balances from banks and other financial institutions

As at 30 September 2013 deposits and balances from banks and other financial institutions were KZT 22,836,531 thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Loans and deposits from banks and other financial institutions	22,786,426	7,747,450
Vostro accounts	50,105	39,411
Total:	22,836,531	7,786,891

Current accounts and deposits from customers

As at 30 September 2013 current accounts and deposits from customers were KZT 635,231,157 thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Current accounts and demand deposits		
- Corporate	103,380,193	126,945,011
- Retail	8,425,673	7,497,961
- Accrued interest	24,753	28
Term deposits		
- Corporate	332,255,654	233,500,497
- Retail	191,144,884	148,477,684
- Accrued interest	-	2,008,737
Total:	635,231,157	518,429,918

Debt securities issued

As at 30 September 2013 debt securities issued were KZT 18,792,558 thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Nominal	19,623,483	9,925,920
Discount / premium	(1,221,864)	(1,199,271)
Accrued interest	390,939	243,614
Total:	18,792,558	8,970,263

Subordinated debt

As at 30 September 2013 subordinated debt was KZT 41,452,693 thousand, includes:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Subordinated loans	-	936,334
Subordinated bonds	41,452,693	26,456,959
Total:	41,452,693	27,393,293

Current tax liabilities

	30 September 2013 KZT'000	31 December 2012 KZT'000
Current tax liabilities	318,029	-
Total:	318,029	-

Deferred tax liabilities

	30 September 2013 KZT'000	31 December 2012 KZT'000
Deferred tax liabilities	314,256	253,099
Total:	314,256	253,099

Other liabilities

As at 30 September 2013 other liabilities were KZT 10,250,365 thousand, include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Other creditors	810,947	556,495
Amounts payable in relation to insurance activity	943,060	448,580
Dividends payable	187,338	248,188
Total other financial liabilities	1,941,345	1,253,263
Insurance allowance	3,973,868	4,017,925
Fees on guarantees and L/C issued	1,255,861	1,460,924
Other prepayments	1,296,899	415,897
Accrued vacation, settlements with employees	1,364,814	303,216
Other taxes payable	415,879	216,993
Other non-financial liabilities	1,699	27,725
Total other non-financial liabilities	8,309,020	6,442,680
Total other liabilities	10,250,365	7,695,943

Equity of the Group: KZT 68,211,146 thousand

Issued share capital

As at 30 September 2013 the Bank's authorised share capital comprises 33,800,000 ordinary shares and 2,500,000 preference shares (31 December 2012: 30,300,000 ordinary shares and 2,500,000 preference shares). Issued and outstanding share capital with elimination is KZT **41,176,506** thousand in respect of ordinary and preference shares (31 December 2012: KZT **34,877,462** 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 30 September 2013 share premium was KZT **46,346** thousand (31 December 2012: KZT **27,675** thousand).

Reserves

As at 30 September 2013 reserves were KZT **12,081,826** thousand. The reserves include:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Reserve for general banking risks created out of retained earnings of previous years (reserve capital)	11,982,676	6,989,704
Revaluation reserve for available-for-sale financial assets	(14,782)	(27,983)
Revaluation reserve for property and equipment	11,537	12,191
Equalization insurance reserve	102,395	-
Total:	12,081,826	6,973,912

Retained earnings/(accumulated deficit)

Retained earnings increased by KZT 6,134,015 thousand and as at 30 September 2013 were KZT **14,906,468** thousand, including:

	30 September 2013 KZT'000	31 December 2012 KZT'000
Retained earnings/(accumulated deficit) as at the beginning of the reporting period	8,772,453	2,045,238
Profit for the period attributable to the Group	11,414,645	11,119,101
Revaluation reserve for property and equipment	654	1,056
Reserve capital formation	(4,992,972)	(4,146,175)
Equalization insurance reserve formation	(102,395)	-
Dividends on preference shares	(185,917)	(246,767)
Retained earnings/(accumulated deficit) as at the end of the reporting period	14,906,468	8,772,453

Due to the acquisition of the subsidiary – Tsesna Capital JSC, the non-controlling interest as at 30 September 2013 was KZT **0** thousand (31 December 2012: **251,511** thousand tenge).

Earnings per share

The calculation of basic earnings per share as at 30 September 2013 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:

	30 September 2013
Net profit/(loss) attributable to ordinary shareholders, in thousands of KZT	11,414,645
Weighted average number of ordinary shares	31,626,695
Basic earnings/(loss) per share, in KZT	361

$$\text{Carrying value of 1 ordinary share} = \frac{(\text{TA} - \text{IA}) - \text{TL} - \text{PS}}{\text{NO}_{\text{CS}}} =$$
$$\frac{(797406735 - 1017170) - 729195589 - 2478894}{33719358} = \text{KZT } 1919$$

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.

$$\text{Carrying value of 1 preference share} = \frac{\text{TD}_{\text{PS}} + \text{PS}}{\text{NO}_{\text{PS}}} =$$
$$\frac{185917 + 2478894}{2478894} = \text{KZT } 1075$$

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 THE SIX MONTHS ENDED 30 September 2013

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

Net interest income

	30 September 2013 KZT'000	30 September 2012 KZT'000
Interest income		
Loans to customers	55,052,960	38,752,661
Held-to-maturity investments	1,031,106	53,843
Financial instruments at fair value through profit or loss	718,792	1,015,523
Deposits and balances to banks and other financial institutions	445,063	241,431
Available-for-sale financial assets	85,851	52,625
Repurchase agreements	26,812	15,542
Cash and cash equivalents	2,649	8,818
Total:	57,363,233	40,140,443
Interest expense		
Current accounts and deposits from customers	(25,616,587)	(16,968,660)
Deposits and balances from banks and other financial institutions	(575,518)	(759,476)
Debt securities issued	(739,745)	(603,042)
Subordinated debt	(2,266,211)	(1,274,083)
Amounts payable under repurchase agreements	(110,788)	(35,679)
Funds of the Government of the Republic of Kazakhstan	-	(261)
Total:	(29,308,849)	(19,641,201)
Net interest income	28,054,384	20,499,242

Net fee and commission income

Fee and commission income	30 September 2013 KZT'000	30 September 2012 KZT'000
Transfer operations	1,616,901	1,195,722
Guarantee and letter of credit issuance fees	1,669,138	2,959,009
Cash withdrawal fees	1,132,679	849,839
Customer accounts opening and maintenance fees	546,256	408,012
Foreign exchange fees	568,961	565,096
Cash collection fees	24,481	22,660
Early credit repayment fee	410,983	-
Other	525,368	940,201
Total:	6,494,767	6,940,539
Fee and commission expense		
Transfer operations	(94,804)	(81,527)
Commission expense on received deposits	(190,311)	(189,792)
Customer card account maintenance fees	(193,282)	(57,057)
Brokerage and insurance services	(11,631)	(580,660)
Commission expense on received guarantee services	(39,953)	(7,784)
Commission expense on letters of credit	(29,050)	(6,886)
Insurance acquisition expense	(995,311)	(439,153)
Other	(54,321)	(56,027)
Total:	(1,608,663)	(1,418,886)
Net fee and commission income	4,886,104	5,521,653

Net earned insurance premiums as at 30 September 2013 were KZT 3,746,433 thousand, for the same period of the previous year: KZT 2,639,597 thousand.

Accrued insurance claims for 9 months of 2013 amounted to KZT (1,182,293) thousand.

Net gain/(loss) on financial instruments at fair value through profit or loss for the six months ended 30 September 2013 amounted to KZT 6,221 thousand, for the same period of the previous year: KZT 231,940 thousand.

Net foreign exchange income

	30 September 2013 KZT'000	30 September 2012 KZT'000
Gain on spot transactions and derivatives	2,325,735	1,273,666
Loss from revaluation of financial assets and liabilities	(1,994)	8,473
Total:	2,323,741	1,282,139

Dividend income for 9 months of 2013 amounted to KZT 2,742 thousand, for the same period of the previous year: KZT 17,918 thousand.

Operating income

	30 September 2013 KZT'000	30 September 2012 KZT'000
Penalties	1,660	1,901
Gain/(loss) on sale of property, equipment and inventory	5,595	(3,100)
Other income	47,573	74,354
Total:	54,828	73,155

Impairment losses

	30 September 2013 KZT'000	30 September 2012 KZT'000
Loans to customers	(6,634,464)	(3,127,603)
Commitments	(522)	-
Available-for-sale assets	(361,681)	
Held-to-maturity investments	(392,263)	-
Other assets	(5,009)	(358,098)
Total:	(7,393,939)	(3,485,701)

Personnel expenses

	30 September 2013 KZT'000	30 September 2012 KZT'000
Employee compensation	(7,304,472)	(5,711,822)
Payroll related taxes	(547,617)	(426,709)
Total:	(7,852,089)	(6,138,531)

Other general and administrative expenses

	30 September 2013 KZT'000	30 September 2012 KZT'000
Rental	(2,716,512)	(2,132,152)
Depreciation and amortisation	(1,053,644)	(603,866)
Repairs and maintenance	(640,786)	(472,780)
Advertising and marketing	(631,821)	(373,754)
Taxes other than on income	(618,693)	(499,321)
Contributions to deposit insurance fund	(607,705)	(417,328)
Professional services	(388,671)	(247,928)
Security	(348,581)	(256,577)
Transportation	(332,714)	(259,769)
Stationery and office equipment supplies	(248,042)	(195,463)
Communications and information services	(243,085)	(207,113)
Business travel expenses	(168,662)	(124,500)
Collection expenses	(110,812)	(73,796)
Charity and sponsorship	(65,146)	(280,193)
Post and courier services	(55,133)	(25,340)
Recruitment, staff training	(23,694)	(23,166)
Market-maker services	(11,409)	-
Insurance	(4,112)	(7,375)
Other	(425,836)	(593,037)
Total:	(8,695,058)	(6,793,458)

Income tax expense as at 30 September 2013 amounted KZT **(2,536,429)** thousand, for the same period of the previous year: KZT **(2,192,366)** thousand.

Profit for 9 months of 2013 was KZT **11,414,645** thousand (for 9 months of 2012: KZT **11,655,588** thousand), including the amount attributable to the Bank of KZT **11,414,645** thousand (for 9 months of 2012: KZT **11,658,479** thousand) and to non-controlling interests of KZT **0** thousand (for 9 months of 2012: KZT **(2,891)** thousand).

INFORMATION ON CASH FLOWS as at 30 September 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 9 months of 2013, had an outflow of cash and cash equivalents amounting to KZT 573,691 thousand, including:

- from operating activities – outflow of cash of KZT 5,538,568 thousand;
- from investing activities – outflow of cash of KZT 24,658,464 thousand;
- from financing activities – inflow of cash of KZT 29,615,836 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) amounted to KZT 7,505 thousand.

INFORMATION TO THE STATEMENT ON CHANGES IN EQUITY as at 30 September 2013

The equity of the Group at the reporting date was KZT 68,211,146 thousand.

The changes were as follows:

- The share capital increased by KZT 6,299,044 thousand due to the issue of shares in the amount of KZT 6,300,000 thousand and elimination of repurchased own shares resulting from the acquisition of subsidiary – Tsesna Capital JSC in the amount of KZT (956) thousand;
- Share premium increased by KZT 18,671 thousand due to the purchase of shares from the minority shareholder;
- Revaluation reserve for property and equipment decreased by KZT 654 thousand as a result of transfer to retained earnings;
- Revaluation reserve for available-for-sale assets increased by KZT 13,201 thousand;
- General banking risk reserve increased by KZT 4,992,972 thousand;
- Equalization insurance reserve increased by KZT 102,395 thousand;
- Retained earnings increased by KZT 6,134,015 thousand. The information on the change in retained earnings is available on page 13 of this Explanatory Note to the financial statements.



R.K. Yakubbayev
Acting Chairman of the Management Board


Sh.M. Doskazyeva
Acting Chief Accountant