

**JSC BANK CENTERCREDIT**  
**EXPLANATORY NOTE**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED**  
**31 MARCH 2017**

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# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

*(in Kazakhstani tenge and in million, unless otherwise stated)*

### 1. ORGANIZATION

JSC Bank CenterCredit (“the Bank”) is a Joint Stock Company (“JSC”), which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Bank is regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank conducts its business under license number 248, renewed on 13 December 2007. On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank’s issued ordinary share capital. As at 31 December 2016, Kookmin Bank’s share was 41.93%, and the International Financial Corporation’s (“IFC”) share was 10% of the issued capital of the Bank.

The Bank’s primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (“the KDIF”).

The registered address is: 38, Al Farabi Ave., Almaty, the Republic of Kazakhstan.

As at 31 March 2017 and 2015, the Bank had 19 and 19 branches in the Republic of Kazakhstan, respectively.

The Bank is a parent company of a banking group (“the Group”) which consists of the following subsidiaries consolidated in its consolidated financial statements:

Name	Country of operation	Ownership interest		Type of operations
		31 March 2017	31 March 2016	
LLP Center Leasing	Republic of Kazakhstan	0%	90.75%	Finance lease
JSC BCC Invest	Republic of Kazakhstan	95.19%	95.19%	Brokerage and dealer activity
LLC Bank BCC-Moscow	Russian Federation	0%	100%	Banking services
LLP BCC-SAOO	Republic of Kazakhstan	100%	100%	Management of distressed assets

In September 2002, LLP Center Leasing was established as a limited liability partnership in accordance with the legislation of the Republic of Kazakhstan. The main activity of LLP Center Leasing is leasing operations. The process of closing this subsidiary is under way since 2016.

Initially in May 1998, JSC BCC Invest was established as a limited liability partnership (previously named “LLP KIB ASSET MANAGEMENT”) in accordance with legislation of the Republic of Kazakhstan. On 26 September 2006, LLP KIB ASSET MANAGEMENT was re-registered as a joint stock company. The main activity of JSC BCC Invest consists of management of assets of mutual funds and management of investment portfolios.

In August 2006, the Bank received permission from the Financial Market Supervision and Regulation Committee of the NBRK for establishment of its subsidiary LLC Bank BCC-Moscow. On 21 March 2008, LLC Bank BCC-Moscow received its license from the Central Bank of Russian Federation. The main activity of LLC Bank BCC-Moscow consists of banking services.

In December 2015, the Management Board and Board of Directors of the Bank made the decision to dispose of the Group’s 100% investment in LLC Bank BCC-Moscow. Thus, for the year ended 31 December 2015, the Group classified it in the financial statements as assets held for sale in accordance with IFRS 5.

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In December 2011, Kazakhstan adopted the Law of the Republic of Kazakhstan on the Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan regarding the Regulation of Banking Activities and Financial Institutions with respect to Risk Mitigation, which stipulated that second-tier banks create special subsidiaries to purchase banks' non-working (distressed assets) and manage them. On 21 August 2013, the Bank's special subsidiary for the management of distressed assets – LLP BCC-SAOO was registered by the Ministry of Justice of the Republic of Kazakhstan.

In March 2017, the Bank's shareholder Mr. Bakhytbek Rymbekovich Baiseitov repurchased the Bank's ordinary shares owned by INTERNATIONAL FINANCE CORPORATION (the IFC) totaling 10,0% of the Bank's total issued shares. The changes in the security holders' registry system were registered on 15 March 2017.

As at 31 March 2017 and 2016, the following ultimate beneficial shareholders owned individually more than 5% of the issued shares of the Group:

	31 March 2017 %	31 March 2016 %
Kookmin Bank	41.93	41.93
B.R. Baiseitov	35.60	25.60
IFC	-	10.00
Other (individually hold less than 5%)	22.47	22.47
Total	<u>100.00</u>	<u>100.00</u>

The consolidated financial statements were authorized for issue by the Management Board on 10 May 2017.

## 2. BASIS OF PRESENTATION

### Accounting basis

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Accordingly, certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements and with the related notes to the consolidated financial statements of the Group for the year ended 31 December 2016.

These interim condensed consolidated financial statements are presented in millions of Kazakhstani tenge ("KZT millions"), unless otherwise indicated. The interim condensed consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for investments available-for-sale, financial assets at fair value through profit or loss and derivative financial instruments at fair value.

The Group maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Board of Directors of the Group. The interim condensed consolidated financial statements prepared on the basis of accounting records were respectively adjusted to bring them in line with IFRS.

### Functional currency

Items included in the interim condensed consolidated financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and

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circumstances relevant to that entity (the “functional currency”). The functional currency of the Group is the Kazakhstani tenge (“KZT”).

### 3. NET INTEREST INCOME

	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
<b>Interest income comprises:</b>		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired financial assets	16,943	18,859
- interest income on impaired financial assets	4,539	2,199
Interest income in financial assets at fair value through profit or loss	2,732	1,843
<b>Total interest income</b>	<b>24,214</b>	<b>22,901</b>
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers and banks	20,762	21,152
Interest on investments held to maturity	425	209
Interest on due from banks	212	282
Penalties on loans to customers and banks	83	(585)
<b>Total interest income on financial assets at amortized cost</b>	<b>21,482</b>	<b>21,058</b>
Interest income on financial assets recorded at fair value comprises:		
Interest on investments available-for-sale	2,446	1,592
Interest on investments initially recorded at fair value through profit or loss	286	251
<b>Total interest income on financial assets recorded at fair value</b>	<b>2,732</b>	<b>1,843</b>
<b>Total interest income</b>	<b>24,214</b>	<b>22,901</b>
<b>Interest expense comprises:</b>		
Interest on financial liabilities recorded at amortized cost	(16,380)	(18,449)
<b>Total interest expense</b>	<b>(16,380)</b>	<b>(18,449)</b>
Interest expense on financial liabilities recorded at amortized cost comprises:		
Interest on customer and bank accounts	(12,243)	(11,834)
Interest on due to banks and financial institutions	(1,789)	(4,649)
Interest on subordinated bonds	(1,535)	(1,204)
Interest on debt securities issued	(813)	(762)
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<b>(16,380)</b>	<b>(18,449)</b>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>7,834</b>	<b>4,452</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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### 4. ALLOWANCES FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in provision for impairment losses on interest-bearing assets were as follows:

	Corporate loans	Medium- sized enterprises	Mortgage loans	Consumer loans	Car loans	Business development loans to individuals	Loans to banks	Total
<b>31 December 2015</b>	119,122	6,567	6,468	7,075	23	12,071	-	151,326
Additional provision recognized/recovery of provision	(12,864)	194	5,334	4,261	19	6,338	-	3,282
Recovery of written-off bad debt	-	-	50	65	-	16	-	131
Exchange rate difference	2,703	149	147	161	1	274	-	3,435
Write off of assets	-	-	-	-	-	-	-	-
Bad debt write-off	(23,732)	(4,542)	(7,525)	(5,281)	(17)	(8,980)	-	(50,077)
Disposal of subsidiary								
Unwinding of discount*	(2,504)	(64)	(132)	(177)	-	(199)	-	(3,076)
<b>31 March 2016</b>	82,725	2,304	4,342	6,104	26	9,520	-	105,021
<b>31 December 2016</b>	77,955	2,191	2,585	4,140	32	6,551	13	93,467
Additional provision recognized/recovery of provision	6,702	362	1,558	1,999	30	(3,694)	430	7,387
Recovery of written-off bad debt	5	80	129	150	5	35	-	404
Exchange rate difference	(1,039)	(30)	(35)	(55)	(1)	(87)	-	(1,247)
Write off of assets	-	-	(279)	(206)	-	(295)	-	(780)
Unwinding of discount*	(2,314)	(229)	(513)	(688)	(10)	(428)	-	(4,182)
<b>31 March 2017</b>	81,309	2,374	3,445	5,340	56	2,082	443	95,049

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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The movements in provision for impairment losses on other assets were as follows:

	<b>Other assets</b>
31 December 2015	1,654
(Recovery of provisions)/ additional provision	(52)
Write-off of assets	206
Exchange rate difference	(16)
Loss for the year from discontinued operations	(338)
<b>31 March 2016</b>	<b>1,454</b>
31 December 2016	950
(Recovery of provisions)/additional provisions	(340)
Write-off of assets	(337)
Exchange rate difference	400
<b>31 March 2017</b>	<b>673</b>

The movements in provision for impairment losses on guarantees and letters of credit were as follows:

	<b>Guarantees and letters of credit</b>
31 December 2015	510
(Recovery of provision)/additional provision	282
Exchange rate difference	-
<b>31 March 2016</b>	<b>792</b>
31 December 2016	269
(Recovery of provision)/additional provision	(257)
Exchange rate difference	(10)
<b>31 March 2017</b>	<b>2</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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### 5. NET GAIN ON FINANCIAL ASSETS AND OBLIGATIONS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
Net gain on financial assets and liabilities at fair value through profit or loss comprises:		
Unrealized (loss)/gain on fair value adjustments of trading financial assets	(2,928)	3,048
Realized (loss)/gain on trading operations	39	(250)
Realized (loss)/gain on operations with derivative financial instruments	(1,431)	1,584
Unrealized gain/(loss) on operations with derivative financial instruments	405	19
<b>Total net gain on financial assets and liabilities at fair value through profit or loss</b>	<b>(3,915)</b>	<b>4,401</b>

### 6. NET REALIZED GAIN/(LOSS) ON DISPOSAL AND IMPAIRMENT OF INVESTMENTS AVAILABLE-FOR-SALE

	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
Net realized gain/(loss) on investments available-for-sale	191	-
Gain/(loss) on impairment of investments available-for-sale	(42)	(15)
<b>Total net realized gain/(loss) on disposal and impairment of investments available-for-sale</b>	<b>149</b>	<b>(15)</b>

### 7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
Dealing, net	1,182	2,441
Translation differences, net	4,357	(3,948)
<b>Total net gain on foreign exchange operations</b>	<b>5,539</b>	<b>(1,507)</b>

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### 8. FEE AND COMMISSION INCOME AND EXPENSE

	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
<b>Fee and commission income :</b>		
Settlements	1,408	1,111
Payment cards	1,170	712
Cash operations	1,009	1,046
Guarantees	701	486
Foreign exchange operations	248	271
Internet-banking operations	170	147
Custodian activities	59	51
Documentary operations	28	25
Trust operations	7	10
Other	136	423
<b>Total fee and commission income</b>	<u>4,936</u>	<u>4,282</u>
<b>Fee and commission expense:</b>		
Settlements	(417)	(375)
Documentary operations	(131)	(130)
Custodian activities	(18)	(13)
Foreign exchange operations	-	(4)
Brokerage services	(14)	-
Securities operations	(12)	(17)
Other	(1)	(5)
<b>Total fee and commission expense</b>	<u>(593)</u>	<u>(544)</u>

### 9. OPERATING EXPENSES

	Three months ended 31 March 2017 (unaudited)	Three months ended 31 March 2016 (unaudited)
Staff costs	(2,896)	(3,180)
Deposit Insurance Fund expenses	(566)	(749)
Taxes (other than income tax)	(661)	(575)
Depreciation and amortization	(628)	(628)
Administrative expenses	(536)	(498)
Operating leases	(446)	(450)
Property and equipment maintenance	(422)	(57)
Security expenses	(170)	(178)
Telecommunications	(134)	(134)
Professional services	(62)	(56)
Business trip expenses	(47)	(59)
Advertising costs	(20)	(14)
Representation expenses	(6)	(6)
Other expenses	(257)	(162)
<b>Total operating expenses</b>	<u>(6,851)</u>	<u>(6,746)</u>



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### 10. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate.

Tax rate used for the three months ended 31 March 2017 reconciliations is the corporate tax rate of 20% payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

	31 March 2017 (unaudited)	31 December 2016 (audited)
<b>Deferred income tax liabilities</b>		
Beginning of the year	(2,381)	(768)
Change in deferred tax in equity related to revaluation of property and plant	1,156	(1,156)
Change in deferred tax in profit or loss	473	(457)
<b>End of the period</b>	<u>(752)</u>	<u>(2,381)</u>

### 11. BOOK VALUE PER SHARE

The book value of one share per each class of shares as at 31 March 2017 and 31 December 2016 is as follows:

Class of shares	31 March 2017			31 December 2016		
	Outstanding shares (number outstanding)	Amount for calculation of book value KZT million	Book value of one share, KZT	Outstanding shares (number outstanding)	Amount for calculation of book value KZT million	Book value of one share, KZT
Ordinary shares	161,952,325	84,887	524	162,056,950	84,669	522
Preference shares	39,249,255	<u>11,775</u>	300	39,249,255	<u>11,775</u>	300
		<u>96,662</u>			<u>83,689</u>	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date.

The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at the reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date.

Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at the reporting date.

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### 12. CASH AND CASH EQUIVALENTS

	31 March 2017 (unaudited)	31 December 2016 (audited)
Short-term deposits with financial institutions	109,753	194,849
Cash on hand	25,760	49,722
Cash in transit	10,092	3,604
	<u>145,605</u>	<u>246,044</u>
<b>Total cash and cash equivalents</b>	<u>145,605</u>	<u>246,044</u>

Minimum reserve requirements are determined as a percentage of average balances of deposits and international borrowings in accordance with the requirements of the NBRK, and totaled KZT 11,158 million and KZT 12,743 million as at 31 March 2017 and 31 December 2016, respectively. The Group has maintained an average balance in compliance with the NBRK requirements, and therefore, has been entitled to utilize funds with no restrictions.

### 13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2017 (unaudited)	31 December 2016 (audited)
Financial assets held for trading:		
Debt securities	12,773	12,001
Equity securities	548	538
<b>Total financial assets held for trading</b>	<u>13,321</u>	<u>12,539</u>
Derivative financial instruments	27,846	41,953
<b>Total financial assets at fair value through profit or loss</b>	<u>41,167</u>	<u>54,492</u>

	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
<b>Debt securities:</b>				
Kazakhstan corporate bonds	15.00	9,091	0.00-15.00	8,402
Government bonds of the Republic of Kazakhstan	4.00-11.31	3,664	4.00-11.31	3,573
International corporate bonds	7.23	18	7.08	26
<b>Total debt securities</b>		<u>12,773</u>		<u>12,001</u>

	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Ownership interest, %	Fair value	Ownership interest, %	Fair value
<b>Equity securities:</b>				
Shares of Kazakhstan corporations	-	548	-	538
Shares of International corporations	-	-	-	-
<b>Total equity securities</b>		<u>548</u>		<u>538</u>

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	31 March 2017 (unaudited)			31 December 2016 (audited)		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
<b>Foreign currency contracts:</b>						
Swaps	77,104	27,846	7,378	103,947	41,953	8,424
Embedded derivatives	1,622		700	1,622	-	803
<b>Total derivative financial instruments</b>		<u>27,846</u>	<u>8,078</u>		<u>41,953</u>	<u>9,227</u>

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

At the date of derivative financial instruments executing, they often represent just mutual exchange of promises to transfer a minimal reward or without reward at all. At the same time, these instruments are often implicate high usage of borrowed funds and are subject to high volatility.

Relatively small change in asset value, interest rate or index, which underlie derivative contract, may give a significant impact on profit of loss of the Group.

#### 14. INVESTMENTS AVAILABLE-FOR-SALE

	31 March 2017 (unaudited)	31 December 2016 (audited)
Debt securities	98,651	105,991
Equity securities	<u>147</u>	<u>148</u>
<b>Total investments available-for-sale</b>	<u>98,798</u>	<u>106,139</u>

	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	0.00-10.20	63,100	0.00-7.13	71,177
Kazakhstan corporate bonds	0.00-9.13	30,316	0.00-9.13	34,814
International corporate bonds	5.72-6.13	5,235		-
<b>Total debt securities</b>		<u>98,651</u>		<u>105,991</u>

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	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Ownership interest	Fair value	Ownership interest	Fair value
<b>Equity securities:</b>				
Shares of Kazakhstan corporations	-	130	-	130
Shares of international corporations		17		18
<b>Total equity securities</b>		<u>147</u>		<u>148</u>
<b>Total investments available-for-sale</b>		<u>98,798</u>		<u>106,139</u>

### 15. HELD-TO-MATURITY INVESTMENTS

	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Government bonds of the Republic of Kazakhstan				
	0.00-8.10	13,733	3.88-11.49	17,828
Kazakhstan corporate bonds	3.26-7.50	11,985	3.26-7.50	12,535
Russian corporate bonds	9.25	3,633	9.25	3,828
<b>Total held-to-maturity investments</b>		<u>29,351</u>		<u>34,191</u>

### 16. DUE FROM BANKS

	31 March 2017 (unaudited)	31 December 2016 (audited)
Due from banks	21,447	6,718
Accrued interest	259	116
<b>Total due from banks</b>	<u>21,706</u>	<u>6,834</u>

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### 17. LOANS TO CUSTOMERS AND BANKS

	31 March 2015 (unaudited)	31 December 2016 (audited)
Originated loans to customers	842,646	847,945
Net investments in finance lease	4,178	4,186
Accrued interest	36,451	37,078
	<u>883,275</u>	<u>889,209</u>
Less: allowance for impairment losses	(94,606)	(93,454)
<b>Total loans to customers</b>	<b>788,669</b>	<b>795,755</b>
Originated loans to banks and other financial institutions		
Accrued interest	603	644
Less: allowance for impairment losses	26	21
	<u>(443)</u>	<u>(13)</u>
<b>Total loans to banks</b>	<b>186</b>	<b>652</b>
Loans under reverse repurchase agreements	44,090	22,335
Accrued interest	13	-
<b>Total loans under reverse repurchase agreements</b>	<b>44,103</b>	<b>22,335</b>
<b>Total loans to customers and banks</b>	<b>832,958</b>	<b>818,742</b>

Movement in allowances for impairment losses on loans to customers and banks for the three months ended 31 March 2017 and 31 December 2016 is disclosed in Note 4.

The below table shows loans to customers secured by different types of collaterals, but not the fair value of collateral itself:

	31 March 2017 (unaudited)	31 December 2016 (audited)
Loans secured by real estate and rights on it	634,333	635,149
Loans secured by goods	56,504	56,385
Loans secured by equipment	43,743	49,734
Loans secured by corporate guarantees	56,866	55,596
Loans secured by other means	45,350	46,794
Loans secured by cash	18,992	19,382
Unsecured loans	27,487	26,169
	<u>883,275</u>	<u>889,209</u>
Less: allowances for impairment losses	(94,606)	(93,454)
<b>Total loans to customers</b>	<b>788,669</b>	<b>795,755</b>

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	31 March 2017 (unaudited)	31 December 2016 (audited)
Analysis by economy sector:		
Individuals	332,551	339,029
Trading	152,251	148,827
Industrial construction	33,147	33,342
Manufacturing	40,582	40,116
Rent of real estate	57,367	57,922
Food industry	31,739	33,648
Residential construction	25,519	22,264
Agriculture	39,141	41,421
Transportation and equipment maintenance	31,326	31,408
Oil and gas	17,377	18,827
Transport and telecommunications	10,867	10,535
Energy	47,150	50,370
Mass media	1,557	1,749
Other	62,701	59,751
	<hr/>	<hr/>
Less: allowances for impairment losses	883,275 (94,606)	889,209 (93,454)
	<hr/>	<hr/>
<b>Total loans to customers</b>	<b>788,669</b>	<b>795,755</b>

Loans to customers comprise the following products:

	31 March 2017 (unaudited)	31 December 2016 (audited)
Loans to legal entities		
Corporate loans	482,700	487,472
Small and medium-sized enterprises	68,024	62,708
	<hr/>	<hr/>
	550,724	550,180
Loans to individuals		
Mortgage loans	158,925	146,212
Consumer loans	136,159	110,026
Business development	31,617	76,612
Car loans	5,850	6,179
	<hr/>	<hr/>
	332,551	339,029
Less: allowances for impairment losses	(94,606)	(93,454)
	<hr/>	<hr/>
<b>Total loans to customers</b>	<b>788,669</b>	<b>795,755</b>

As at 31 March 2017 and 31 December 2016, the Group provided loans to 17 and 17 borrowers totaling KZT 234,079 million and KZT 227,678 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

*(in Kazakhstani tenge and in million, unless otherwise stated)*

As at 31 March 2017 and 31 December 2016, a significant amount of loans (98% and 98% of total portfolio, respectively) is granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

	Carrying amount before allowance	31 March 2017 (unaudited) Allowance for impairment losses	Carrying amount	Carrying amount before allowance	31 December 2016 (audited) Allowance for impairment losses	Carrying amount
Loans to customers individually determined to be impaired	222,142	(75,664)	146,478	224,088	(73,539)	150,549
Loans to customers collectively determined to be impaired	144,234	(12,353)	131,881	106,115	(15,279)	90,836
Unimpaired loans	<u>516,899</u>	<u>(6,589)</u>	<u>510,310</u>	<u>559,006</u>	<u>(4,636)</u>	<u>554,370</u>
<b>Total</b>	<u><b>883,275</b></u>	<u><b>(94,606)</b></u>	<u><b>788,669</b></u>	<u><b>889,209</b></u>	<u><b>(93,454)</b></u>	<u><b>795,755</b></u>

As at 31 March 2017 and 31 December 2016, the Group concluded finance lease agreements as lease provider. Interest rate on lease is fixed as on the date of contract for all lease terms.

As at 31 March 2017 and 31 December 2016, the components of net investments in finance lease comprised of the following:

	31 March 2017 (unaudited)	31 December 2016 (audited)
Less than one year	789	804
From one to five years	1,453	1,453
More than five years	<u>9,706</u>	<u>9,836</u>
Minimum payments under finance lease contracts	11,948	12,093
Less: deferred revenue	<u>(7,770)</u>	<u>(7,907)</u>
Net investments in finance lease	<u><u>4,178</u></u>	<u><u>4,186</u></u>
Current part	21	29
Long-term part	<u>4,157</u>	<u>4,157</u>
Net investments in finance lease before allowances for impairment losses	4,178	4,186
Less: allowances for impairment losses	<u>(12)</u>	<u>(23)</u>
Net investments in finance lease after allowances for impairment losses	<u><u>4,166</u></u>	<u><u>4,163</u></u>

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

(in Kazakhstani tenge and in million, unless otherwise stated)

Fair value of assets received as collateral and carrying value of reverse repurchase agreements as of 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Notes of NBRK	200	206		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	41,560	42,271	21,367	22,249
Others	2,343	3,245	968	1,386
<b>Total</b>	<b>44,103</b>	<b>45,722</b>	<b>22,335</b>	<b>23,635</b>

### 18. OTHER ASSETS

	31 March 2017 (unaudited)	31 December 2016 (audited)
<b>Other financial assets:</b>		
Receivables	11,129	12,581
Accrued commission	1,713	1,761
Western Union and other wireless transfer	507	99
	<u>13,349</u>	<u>14,441</u>
Less allowances for impairment losses	(635)	(893)
<b>Total other financial assets:</b>	<u>12,714</u>	<u>13,548</u>
<b>Other non-financial assets:</b>		
Repossessed collateral	23,877	23,209
Investment property	3,289	3,316
Tax settlements, other than income tax	1,142	2,926
Advance paid	625	1,081
Inventory	66	22
	<u>28,999</u>	<u>30,554</u>
Less allowances for impairment losses	(38)	(57)
<b>Total other non-financial assets</b>	<u>28,961</u>	<u>30,497</u>
<b>Total other assets</b>	<u>41,675</u>	<u>44,045</u>

Movement in allowances for impairment losses on other assets for the three months ended 31 March 2017 and the three months ended 31 March 2016 is disclosed in Note 4.



# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

(in Kazakhstani tenge and in million, unless otherwise stated)

### 19. DUE TO BANKS AND FINANCIAL INSTITUTIONS

Item	Nominal interest rate ,%	31 March 2017 (unaudited)	31 December 2016 (audited)
Long-term loans due to banks and financial institutions	0.85-8.50	43,882	44,668
Loans due to international credit organizations	8.50-10.70	26,267	27,023
Perpetual debt	7.11	24,652	26,222
Short-term loans due to banks and financial institutions	3.25-10.33	6,342	6,272
Loan due to NBRK	5.50	118	118
Correspondent accounts of banks	-	1,234	1,557
Accumulated interest expense		946	1,165
		<u>103,441</u>	<u>107,025</u>
Loans under repurchase agreements	11.00	250	2,624
<b>Total due to banks and financial institutions</b>		<u><u>103,691</u></u>	<u><u>109,649</u></u>

In October 2016, the Group received long term loan from JSC Kazakhstan Development Bank in the amount KZT 6,000 million at 8.75% per annum maturing in June 2017 ; KZT 200 million at 2% p.a. maturing in 2035; in January 2017 – in the amount of KZT 376.6 million at 1% p.a. maturing in 2035.

In 2016 the Group received long term loan from JSC Entrepreneurship Development Fund DAMU in the amount of KZT 1617 million at 3.8%-4.5% p.a. maturing in 2021-2023.

In November 2016, the Group received long term loan from the European Bank of Reconstruction and Development in the amount of KZT 8 610 million at 9.5% p.a. maturing in 2019.

In case of the Group's bankruptcy or liquidation, debt under subordinated loans is repaid after the Group performs its obligations owed to all other creditors.

As at 31 March 2017 and 31 December 2016, the fair value of assets provided as collaterals and carrying amount of obligations under repurchase agreements were as follows:

	31 March 2017 (unaudited)		31 December 2016 (audited)	
	Carrying value of loans	Fair value of colateral	Carrying value of loans	Fair value of colateral
Bonds of the Ministry of Finance of the Republic of Kazakhstan	<u>250</u>	<u>251</u>	<u>2,624</u>	<u>2,668</u>
<b>Total</b>	<u><u>250</u></u>	<u><u>251</u></u>	<u><u>2,624</u></u>	<u><u>2,668</u></u>

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

(in Kazakhstani tenge and in million, unless otherwise stated)

### 20. CUSTOMER AND BANKS ACCOUNTS

	31 March 2017 (unaudited)	31 December 2016 (audited)
<b>Recorded at amortized cost:</b>		
Customer accounts	950,221	1,046,108
Banks accounts	2,001	2,002
	<u>952,222</u>	<u>1,048,110</u>
Accrued interest	5,723	5,792
	<u>957,945</u>	<u>1,053,902</u>
<b>Total customer and bank accounts</b>	<u>957,945</u>	<u>1,053,902</u>
	31 March 2017 (unaudited)	31 December 2016 (audited)
Fixed-term deposits	683,581	737,896
Demand deposits	266,640	308,212
	<u>950,221</u>	<u>1,046,108</u>
Accrued interest	5,493	5,633
	<u>955,714</u>	<u>1,051,741</u>
<b>Total customer accounts</b>	<u>955,714</u>	<u>1,051,741</u>

	31 March 2017 (unaudited)	31 December 2016 (audited)
<b>Analysis by economy sector:</b>		
Individuals	488,595	542,586
Social services	148,137	178,838
Construction	64,078	66,376
Education and health care	38,559	33,595
Trade	42,073	55,278
Insurance and pension funds	21,296	13,274
Transport and communication	34,688	39,765
Energy	13,444	11,351
Manufacturing	14,077	17,086
Metallurgy	20,152	21,145
Research and engineering	7,333	9,038
Agriculture	5,415	6,433
Oil and gas	7,088	5,597
Fuel	3,513	2,902
Public administration	779	373
Entertainment services	4,563	3,999
Chemical production	4,899	3,997
Machinery	3,308	2,293
Other	33,717	37,815
	<u>955,714</u>	<u>1,051,741</u>
<b>Total customer accounts</b>	<u>955,714</u>	<u>1,051,741</u>

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

*(in Kazakhstani tenge and in million, unless otherwise stated)*

Bank accounts as at 31 March 2017 and 31 December 2016 comprised the following:

	31 March 2017 (unaudited)	31 December 2016 (audited)
Fixed-term deposits	2,000	2,000
Demand deposits	<u>1</u>	<u>2</u>
Accrued interest	2,001	2,002
	<u>230</u>	<u>159</u>
<b>Total bank accounts</b>	<b><u>2,231</u></b>	<b><u>2,161</u></b>

### 21. DEBT SECURITIES ISSUED

	Currency	Date of issue (DD/MM/YY)	Maturity date (DD/MM/YY)	Interest rate, %	31 March 2017 (unaudited)	31 December 2016 (audited)
Kazakhstan bonds	KZT	26.04.2014	22.09.2025	7.50-9.00	24,538	24,463
Accrued interest					<u>834</u>	<u>346</u>
<b>Total debt securities issued</b>					<b><u>25,372</u></b>	<b><u>24,809</u></b>

Coupons on debt securities issued are payable semi-annually.

### 22. OTHER LIABILITIES

	31 March 2017 (unaudited)	31 December 2016 (audited)
<b>Other financial liabilities:</b>		
Settlements on other transactions	6,496	4,146
Provision for guarantees and letters of credit	2	269
Derivative financial instruments		
Accrued commission expenses	8,078	9,227
Obligations under guarantees issued	1,662	881
	<u>1,203</u>	<u>1,148</u>
	17,441	15,671
<b>Other non-financial liabilities:</b>		
Taxes payables, other than income tax	1,745	2,195
Other non-financial liabilities	953	1,046
<b>Total other liabilities</b>	<b><u>20,139</u></b>	<b><u>18,912</u></b>

Movement in the provision for guarantees and other obligations for the three months ended 31 March 2017 and 31 December 2016 is disclosed in Note 4.

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

(in Kazakhstani tenge and in million, unless otherwise stated)

### 23. SUBORDINATED BONDS

	Currency	Date of issue (DD/MM/YY)	Maturity date (DD/MM/YY)	Interest rate, %	31 March 2017 (unaudited)	31 December 2016 (audited)
Floating rate	KZT	26/04/2007- 27/11/2009	26/04/2017- 11/11/2023	10.00-15.00	23,169	23,156
Fixed rate	KZT	27/06/2008- 29/09/2015	27/06/2018- 29/09/2025	10.00-11.00	29,395 52,564	29,395 52,551
Accrued interest					1,462	782
<b>Total subordinated bonds</b>					<b>54,026</b>	<b>53,333</b>

Interest expense on subordinated bonds is payable semi-annually, the principal is compensated at the end of term.

In case of the Group's bankruptcy or liquidation, this debt is repaid after the Group performs its obligations owed to all other creditors.

### 24. SHARE CAPITAL

As at 31 March 2017, the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(504,475)	161,952,325
Preference shares	39,249,255	-	-	39,249,255

As at 31 March 2017, the Bank's share capital comprised the following:

	Authorized and issued share capital (million KZT)	Repurchased shares	Total
Ordinary shares	58,014	(18)	57,996
Preference shares	11,775		11,775
Total	69,789	(18)	69,771

As at 31 December 2016, the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(399,850)	162,056,950
Preference shares	39,249,255	-	-	39,249,255

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

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As at 31 December 2016, the Bank's share capital comprised the following:

	Authorized and issued share capital (million KZT)	Issued shares	Total
Ordinary shares	57,966	48	58,014
Preference shares	11,775		11,775
Total	69,741	48	69,789

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors. One preference share equals to one ordinary share.

According to Kazakhstan's Law on Joint Stock Companies dividends can be payable in the form of money or securities of the bank on condition that the decision on dividend payment was made at the annual meeting of shareholders of the Bank. In accordance with Regulation of the Bank dividend payment on ordinary shares can be made on the basis of financial results for the year.

Preference shares have no right to vote, and cannot be repurchased by the Bank. Owners of preference shares have pre-emption right before owners of ordinary shares for receipt of dividends. Conversion of preference shares can be made on the basis of decision of the Board of Directors.

	31 March 2017 (unaudited) Quantity, in thousands	31 December 2016 (audited) Quantity, in thousands
Preference shares at the beginning of the period	39,249	39,249
Preference shares issued	-	-
Preference shares at the end of the period	39,249	39,249
Ordinary shares at the beginning of the period	162,057	161,584
Treasury shares repurchased	(492)	(1,173)
Treasury shares sold	387	1,646
Ordinary shares at the end of the period	161,952	162,057

### Taxation

Commercial legislation, including tax legislation, of the Republic of Kazakhstan and countries where the Group operates, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the interim consolidated financial statements.

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

*(in Kazakhstani tenge and in million, unless otherwise stated)*

### Pension and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 March 2017 and 31 December 2016, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

### 25. SUBSEQUENT EVENTS

On 17 April 2017, the following changes in the Bank's shareholding structure occurred. The shareholder of the Bank, KOOKMIN BANK, owning 41,93% of total outstanding shares of the Bank, sold all its ordinary and preference shares to JSC Tsesnabank, JSC Financial holding Tsesna and Mr. Bakhytbek Rymbekovich Baiseitov. Shareholding structure changed as follows:

Shareholder	Ownership interest	
	Total	Including common voting
Bakhytbek Rymbekovich Baiseitov	36,19%	44,50%
JSC Tsesnabank	27,96%	29,98%
JSC Financial holding Tsesna	13,42%	-

\*according to the Bank's shareholders ledger, provided by JSC The Integrated Securities Registrar as at 18 April 2017.

  
V.S.Lec  
Chairman

  
G.A.Khusainov  
Managing Director

  
A.T.Nurgaliyeva  
Chief Accountant