

**JSC BANK CENTERCREDIT**  
**EXPLANATORY NOTE**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS**  
**ENDED 30 SEPTEMBER 2016**

# JOINT-STOCK COMPANY BANK CENTERCREDIT

## SELECTED EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

(in Kazakhstani tenge and in millions, 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 2015, 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 30 September 2016 and 31 December 2015, the Bank had 19 and 20 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 interim condensed consolidated financial information:

Name	Country of operation	30 September 2016 (unaudited)	31 December 2015	Type of operation
LLP Center Leasing	Republic of Kazakhstan	90.75%	90.75%	Finance lease
JSC BCC Invest	Republic of Kazakhstan	95.19%	95.19%	Brokerage and dealer activity
LLC Bank BCC-Moscow	Russian Federation	-	100.00%	Banking services
LLP BCC-SAOO	Republic of Kazakhstan	100.00%	100.00%	Management of distressed assets

As at 30 September 2016 and 31 December 2015, the following ultimate beneficial shareholders owned individually more than 5% of the issued shares of the Group:

	<b>30 September 2016 (unaudited) %</b>	<b>31 December 2015 %</b>
Kookmin Bank	41.93	41.93
Baiseitov B.R.	25.60	25.60
IFC	10.00	10.00
Other (individually hold less than 5%)	22.47	22.47
Total	100.00	100.00

## 2. BASIS OF PRESENTATION

### Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with 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 2015.

The interim condensed consolidated financial information has been prepared on the accrual basis of accounting under the historical cost convention, except for the measurement of buildings at revalued amounts and the measurement of investments available-for-sale, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments at fair value.

The preparation of the interim condensed consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the date of the consolidated financial information, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to setup of impairment loss provisions on loans and investments, determination of the fair value of financial instruments and determination of the deferred tax assets.

Although the interim condensed consolidated financial information is unaudited, it does reflect all adjustments that, in the opinion of Management of the Group, are necessary for a fair presentation of the consolidated results of operations for the interim periods. All such adjustments to the consolidated financial information are of a normal, recurring nature. Because the results from common banking activities are so closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

## **Functional currency**

Items included in the interim condensed consolidated financial information of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “functional currency”). The functional currency of the Group is the Kazakhstani tenge (“KZT” or “Tenge”).

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group’s financial statements for the year of 2015, except for the impact of the adoption of the following amended standards:

Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations;  
Amendments to IAS 1 – Disclosure Initiative;  
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation;  
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception;  
IFRS 14 Regulatory Deferral Accounts;  
Amendments to IAS 27 - Equity Method in Separate Financial Statements;  
Annual Improvements to IFRSs 2012-2014 Cycle.

#### **Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 should be applied prospectively to acquisitions of interests in joint operations that constitute a business, occurring from the beginning of annual periods beginning on or after 1 January 2016. The application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements should such transactions arise.

#### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice, how to present line items and subtotals in the statements of financial position, profit or loss and other comprehensive income. In addition, amendments state that management has flexibility as to the order of presenting the notes to financial statements. The application of these amendments to IAS 1 has no material impact on the Group's consolidated financial statements.

## **Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly the application of these amendments did not have a material impact on the Group's consolidated financial statements.

## **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to IFRS 10, IFRS 12 and IAS 28 has no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

## **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 has no impact on the Group's financial statements as the Group is not an IFRS first-time adopter.

## **Amendments to IAS 27 - Equity Method in Separate Financial Statements**

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. There is no impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

## **Annual Improvements to IFRSs 2012-2014 Cycle**

The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The application of these amendments has no material effect on the Group's consolidated financial statements.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

#### 4. NET INTEREST INCOME

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
<b>Interest income comprises:</b>		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired financial assets	11,534	13,768
- interest income on unimpaired financial assets	54,335	52,607
Interest income on financial assets at fair value through profit or loss	<u>5,906</u>	<u>3,390</u>
<b>Total interest income</b>	<u>71,775</u>	<u>69,765</u>
Interest income on financial assets recorded at amortized cost:		
Interest on loans to customers and banks	63,689	65,201
Interest on investments held-to-maturity	633	300
Penalties on loans to customers and banks	623	676
Interest on due from banks	<u>924</u>	<u>198</u>
Total interest income on financial assets recorded at amortized cost	<u>65,869</u>	<u>66,375</u>
Interest income on financial assets at fair value:		
Interest on investments available-for-sale	5,123	2,595
Interest on investments initially recognized at fair value through profit or loss	<u>783</u>	<u>795</u>
Total interest income on financial assets recorded at fair value	<u>5,906</u>	<u>3,390</u>
<b>Total interest income</b>	<u>71,775</u>	<u>69,765</u>
<b>Interest expense comprises:</b>		
Interest expense on financial liabilities recorded at amortized cost	<u>51,171</u>	<u>37,206</u>
<b>Total interest expense</b>	<u>51,171</u>	<u>37,206</u>
Interest expense on financial liabilities recorded at amortized cost:		
Interest on customer and banks accounts	36,418	24,712
Interest on debt securities issued	2,279	2,266
Interest on due to banks and financial institutions	8,222	6,781
Interest on subordinated bonds	<u>4,252</u>	<u>3,447</u>
<b>Total interest expense on financial liabilities recorded at amortized cost</b>	<u>51,171</u>	<u>37,206</u>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<u>20,604</u>	<u>32,559</u>

## 5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest-bearing assets is as follows:

	Corporate loans	Small and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Car loans	Loans to banks	Total loans to customers and banks (Note 13)
For six months ended	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>30 June 2015 and 2016</b>								
31 December 2014	116,107	13,624	5,287	5,234	8,710	33	41	149,036
Additional provision recognized/(recovery of provision)	20,907	(6,608)	6,481	4,234	(2,227)	8	(24)	22,771
Unwind of discount	(8,764)	(390)	(1,495)	(1,361)	(871)	(2)	-	(12,883)
Write-off of assets	(20,037)	(302)	(1,500)	(311)	(486)	(16)	-	(22,652)
Recovery of assets previously written off	381	-	45	4	-	4	-	434
Exchange rate difference	15,609	1,533	406	359	1,647	5	-	19,559
Reclassification to assets held for sale	508	(379)	(112)	6	-	-	-	23
<b>30 June 2015 (unaudited)</b>	<u>124,711</u>	<u>7,478</u>	<u>9,112</u>	<u>8,165</u>	<u>6,773</u>	<u>32</u>	<u>17</u>	<u>156,288</u>
31 December 2015	119,122	6,567	6,468	7,075	12,071	23	-	151,326
(Recovery of provision)/additional provision recognized	(6,385)	867	6,707	5,900	4,539	35	2	11,665
Unwind of discount	(7,351)	(260)	(472)	(497)	(537)	(3)	-	(9,120)
Write-off of assets	(23,739)	(5,148)	(8,777)	(6,509)	(9,394)	(24)	-	(53,591)
Recovery of assets previously written off	474	185	689	358	146	28	-	1,880
Exchange rate difference	858	47	47	51	87	-	-	1,090
<b>30 June 2016 (unaudited)</b>	<u>82,979</u>	<u>2,258</u>	<u>4,662</u>	<u>6,378</u>	<u>6,912</u>	<u>59</u>	<u>2</u>	<u>103,250</u>



During the nine months ended 30 September 2016 and 2015, the Group has written off loans totaling KZT 22,652 million and KZT 53,591 million, respectively. Changes introduced to the Tax Code as at 1 January 2014 allow the write-off of loans without this being considered forgiveness of the loan for tax purposes and are therefore not subject to corporate income tax.

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

<b>For nine months ended 30 September 2015 and 2016</b>	<b>Other assets (Note 14)</b>	<b>Due from banks</b>
<b>31 December 2014</b>	2,291	-
Recovery of provision	(556)	-
Write-off of assets	(467)	-
Exchange rate difference	129	-
<b>30 September 2015 (unaudited)</b>	<u>1,397</u>	<u>-</u>
<b>31 December 2015</b>	1,654	-
Additional provision /(recovery of provision)	(355)	4,508
Write-off of assets	(197)	-
Exchange rate difference	281	-
<b>30 September 2016 (unaudited)</b>	<u>1,383</u>	<u>4,508</u>

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

<b>For nine months ended 30 September 2015 and 2016</b>	<b>Guarantees and letters of credit (Note 19)</b>
<b>31 December 2014</b>	1,894
Recovery of provision	(158)
Exchange rate difference	166
<b>30 September 2015 (unaudited)</b>	<u>1,902</u>
<b>31 December 2015</b>	510
Recovery of provision	(327)
Exchange rate difference	(35)
<b>30 September 2016 (unaudited)</b>	<u>148</u>

**6. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(302)	42,493
<b>Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss</b>	<u>(302)</u>	<u>42,493</u>
Net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss comprise:		
Unrealized (loss)/gain on fair value adjustment of trading financial assets	488	(679)
Realized (loss)/gain on trading operations	(132)	(37)
Realized (loss)/gain on operations with derivative financial instruments	2,167	315
Unrealized gain/(loss) on operations with derivative financial instruments	<u>(2,825)</u>	<u>42,894</u>
<b>Total net gain on financial assets and liabilities at fair value through profit or loss</b>	<u>(302)</u>	<u>42,493</u>

**7. NET GAIN/(LOSS) ON DISPOSAL AND IMPAIRMENT OF INVESTMENTS AVAILABLE-FOR-SALE**

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Net realized gain/(loss) on investments available-for-sale	1,011	20
Gain/(loss) on impairment of investments available-for-sale	<u>(16)</u>	<u>(373)</u>
<b>Total net realized gain/(loss) on disposal and impairment of investments available-for-sale</b>	<u>995</u>	<u>(353)</u>

**8. NET GAIN/(LOSS) ON FOREIGN EXCHANGE OPERATIONS**

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Dealing, net	5,900	4,959
Translation differences, net	<u>(1,715)</u>	<u>(48,136)</u>
<b>Total net gain/(loss) on foreign exchange operations</b>	<u>4,185</u>	<u>(43,177)</u>

**9. FEE AND COMMISSION INCOME AND EXPENSE**

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
<b>Fee and commission income:</b>		
Settlements	4,074	3,691
Cash operations	3,776	3,801

Payment cards	3,203	3,080
Guarantees	1,857	2,253
Trust operations	22	30
Foreign exchange operations	827	799
Internet-banking operations	230	445
Custodian activities	159	616
Documentary operations	80	79
Other	455	439
<b>Total fee and commission income<sup>6</sup></b>	<b>14,683</b>	<b>15,233</b>
<b>Fee and commission expense:</b>		
Settlements	1,233	793
Documentary operations	334	96
Custodian activities	42	518
Foreign exchange operations	19	9
Securities operations	53	38
Brokerage services	23	0
Other	13	91
<b>Total fee and commission expense</b>	<b>1,717</b>	<b>1,545</b>

## 10. OPERATING EXPENSES

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Staff costs	9,665	9,871
Operating leases	1,418	1,358
Deposit Insurance Fund expenses	2,166	1,869
Depreciation and amortization	1,761	1,521
Taxes (other than income tax)	1,869	1,627
Administrative expenses	1,671	1,251
Security expenses	539	580
Telecommunications	416	387
Advertising costs	86	139
Property and equipment maintenance	189	473
Business trip expenses	149	149
Professional services	227	92
Representation expenses	20	23
Cash collection expenses	598	572
Other expenses	952	368
<b>Total operating expenses</b>	<b>21,726</b>	<b>20,280</b>

## 11. INCOME TAXES

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.

	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Current income tax	(1,002)	(1,234)
Adjustment recognized in the reporting period for current tax of prior periods	-	(563)

Deferred income tax expense	16	533
<b>Income tax expense/ (benefit)</b>	<u>(986)</u>	<u>(1,264)</u>

The tax rate used for the nine months ended 30 September 2016 reconciliations above 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.

	<b>30 September 2016 (unaudited)</b>	<b>31 December 2015 (unaudited)</b>
<b>Deferred income tax assets/(liabilities)</b>		
Beginning of the period	(768)	(236)
Change in deferred income tax assets/(liabilities) recognized in profit or loss	<u>16</u>	<u>(532)</u>
<b>End of the period</b>	<u>(752)</u>	<u>(768)</u>

## 12. DISCONTINUED OPERATIONS

In December 2015 the Management Board and Board of Directors of the Bank made the decision to dispose 100% of its investment in LLC Bank BCC-Moscow. On 20 January 2016, the Group sold its 100% shareholding in the subsidiary LLC Bank BCC-Moscow for consideration of RUR 410,960 thousands.

The combined results of the discontinued operations of LLC Bank BCC-Moscow included in the interim consolidated statement of profit or loss are set out below.

	<b>Nine months ended 30 September 2016 (unaudited)</b>	<b>Nine months ended 30 September 2015 (unaudited)</b>
Interest income	54	750
Interest expense	<u>(61)</u>	<u>(494)</u>
<b>NET INTEREST INCOME BEFORE RECOVERY OF/(PROVISION FOR) IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	<b>(7)</b>	<b>256</b>
Recovery of/(provision for) impairment losses on interest bearing assets	<u>(275)</u>	<u>825</u>
<b>NET INTEREST INCOME/(LOSS)</b>	<b>(282)</b>	<b>1,081</b>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(37)	205
Net (loss)/gain on foreign exchange operations	8	(891)
Fee and commission income	3	35
Fee and commission expense	(2)	(17)
Other income/(expense)	<u>-</u>	<u>(16)</u>
<b>NET NON-INTEREST LOSS</b>	<b>(28)</b>	<b>(684)</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(310)</b>	<b>397</b>
<b>OPERATING EXPENSES</b>	<b>(52)</b>	<b>(586)</b>
<b>OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>(362)</b>	<b>(189)</b>
Income tax expense	<u>-</u>	<u>(15)</u>
Profit/(loss) for the period from discontinued operations	(362)	(204)
Gain on disposal of subsidiary	2,330	-
<b>Net profit for the period from discontinued operations</b>	<u><b>1,968</b></u>	<u><b>(204)</b></u>

The major classes of assets and liabilities of LLC Bank BCC-Moscow as at 31 December 2015 were as follows:

	<b>As at 20 January 2016</b>
Cash and cash equivalents	6,628
Financial assets at fair value through profit or loss	3,877
Investments held to maturity	1,627
Loans to customers and banks	2,365
Other assets	542
Property, equipment and intangible assets	<u>711</u>
<b>Assets of LLC Bank BCC-Moscow classified as held for sale</b>	<u><b>15,750</b></u>
Due to banks and financial institutions	11,725
Customer and banks accounts	4,271
Other liabilities	<u>132</u>
<b>Liabilities of LLC Bank BCC-Moscow classified as held for sale</b>	<u><b>16,128</b></u>
<b>Net liabilities of LLC Bank BCC-Moscow classified as held for sale</b>	<u><b>(378)</b></u>
<b>Gain on disposal of subsidiary:</b>	

	<b>Nine months ended 30 September 2016 (unaudited)</b>
<b>Consideration received</b>	1,952
<b>Net liabilities disposed of</b>	<u>378</u>
<b>Gain on disposal</b>	<u><b>2,330</b></u>

Net cash outflow from disposal of subsidiary:

	<b>30 September 2016 (unaudited)</b>
Consideration received in cash	1,952
Less: cash and cash equivalent balances disposed of	<u>(6,628)</u>
	<u><b>(4,676)</b></u>

### 13. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the period.

	<b>Nine months ended 30 September 2016 (unaudited)</b>	<b>Nine months ended 30 September 2015 (unaudited)</b>
<b>Basic (loss)/earnings per share</b>		
Net (loss)/profit attributable to owners of the Bank	500	1,893
Less: profit from discontinued operations used in calculation of loss per share from discontinued operations	-	(203)
Less: additional dividends that would be paid on full distributions of	<u>(97)</u>	<u>(327)</u>

profit to the preferred share holders		
Net (loss)/earnings attributable to ordinary shareholders	403	1,363
Weighted average number of ordinary shares for purposes of basic earnings per share	162,283,188	161,976,339
(Loss)/earnings per share - basic	(2.48)	8.41
<b>Diluted (loss) /earnings per share</b>		
	0.00	-1.25
Net (loss)/earnings attributable to ordinary shareholders	403	1,363
Add: additional dividends that would be paid on full distributions of profit to the preferred share holders	97	327
(Loss)/earnings used in the calculation of diluted earnings per share	500	1,690
Weighted average number of ordinary shares for purposes of diluted earnings per share	162,283,188	161,976,339
Shares deemed to be issued:		
Weighted average number of ordinary shares that would be issued for the convertible preferred shares	39,249,255	39,249,255
Weighted average number of ordinary shares for purposes of diluted earnings per share	201,532,443	201,225,594
(Loss)/earnings per share - diluted	(2.48)	8.40

The book value of one share per each class of shares as at 30 September 2016 and 31 December 2015 is as follows:

Class of shares	30 September 2016			31 December 2015		
	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	162,794,322	77,983	479	161,585,127	71,911	445
Preference shares	39,249,255	11,775	300	39,249,255	11,775	300
		89,758			83,686	

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.

#### 14. CASH AND CASH EQUIVALENTS

	30 September 2016 (unaudited)	31 December 2015 (audited)
Due from financial institutions	152,114	200,172
Cash on hand	36,857	37,726
Cash in transit	9,790	4,225
	198,761	242,123
Accrued interest	29	-
<b>Total cash and cash equivalents</b>	<b>198,790</b>	<b>242,123</b>

### Obligatory reserves

Minimum reserve requirements are determined as a percentage of average balances of deposits and international borrowings in accordance with the requirements of the NBRK. As at 30 September 2016 and 31 December 2015, the Group has maintained an average balance in compliance with the NBRK requirements.

	30 September 2016	31 December 2015
Mandatory cash deposits with the NBRK	12,312	15,951
<b>Total obligatory reserves</b>	<u>12,312</u>	<u>15,951</u>

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

Financial assets at fair value through profit or loss comprise:

	30 September 2016 (unaudited)	31 December 2015 (audited)
Financial assets held for trading:		
Debt securities	15 946	12 018
Equity securities	746	527
<b>Total financial assets held for trading</b>	<u>16,692</u>	<u>12,545</u>
Derivative financial instruments	62,497	91,205
<b>Total financial assets at fair value through profit or loss</b>	<u>79,189</u>	<u>103,750</u>

	30 September 2016 (unaudited)		31 December 2015 (audited)	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	4-15,58	8 712	4.93-7.65	6 949
Kazakhstan corporate bonds	4.63-13.00	7 115	3.91-13.00	4 973
Russian corporate bonds	-	-	-	-
Government bonds of the Russian Federation	-	-	-	-
International corporate bonds	5.95-6.82	119	5.95	96
Other		-		-
<b>Total debt securities</b>		<u>15,946</u>		<u>12,018</u>

	30 September 2016 (unaudited)		31 December 2015 (audited)	
	Ownership interest %	Fair value	Ownership interest %	Fair value
<b>Equity securities:</b>				
Shares of Kazakhstan corporations	-	508	-	444
Shares of Russian corporations	-	-	-	-
Shares of International corporations	-	238	-	83
<b>Total equity securities</b>		<u>746</u>		<u>527</u>

	30 September 2016 (unaudited)			31 December 2015 (audited)		
	Notional value	Fair value		Notional value	Fair value	
		Asset	Liability		Asset	Liability
<b>Derivative financial instruments:</b>						
<b>Foreign currency contracts</b>						
Swaps	147,308	62,497	9,492	215,457	91,205	8,957
Embedded derivative financial instruments	-	-	-	1,622	-	812
<b>Total derivative financial instruments</b>		<u>62,497</u>	<u>9,492</u>		<u>91,205</u>	<u>9,769</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 period end and are indicative of neither the market risk nor the credit risk.

Derivatives often involve at their inception only mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile.

A relatively small movement in the value of asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

## 16. INVESTMENTS AVAILABLE-FOR-SALE

	30 September 2016 (unaudited)	31 December 2015 (audited)
Debt securities	74,555	96,531
Equity securities	148	149
<b>Total investments available-for-sale</b>	<u>74,704</u>	<u>96,680</u>

	30 September 2016 (unaudited)		31 December 2015 (audited)	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	3.875-7.13	35,677	3.30-8.75	51,642
Kazakhstan corporate bonds	3.26-9.13	38,878	3.26-9.13	40,962
International corporate bonds	-	-	8.15	1,867
Russian corporate bonds	-	-	5.25	2,060
<b>Total debt securities</b>		<u>74,555</u>		<u>96,531</u>

30 September 2016  
(unaudited)

31 December 2015  
(audited)



	Ownership interest %	Fair value	Ownership interest %	Fair value
<b>Equity securities:</b>				
Shares of Kazakhstan corporations	-	130	-	130
Shares of International corporations		19		19
<b>Total equity securities</b>		149		149
<b>Total investments available-for-sale</b>		74,704		96,680

## 17. INVESTMENTS HELD TO MATURITY

	30 September 2016 (unaudited)		31 December 2015 (audited)	
	Nominal interest rate %	Amount	Nominal interest rate %	Amount
Government bonds of the Republic of Kazakhstan	3.88-8.1	12,187	3.26-13.00	1,070
Kazakhstan corporate bonds	3.26-13.0	14,495	4.89-8.10	5,248
Russian corporate bonds	-	-	-	-
International corporate bonds	-	-	1.6	292
<b>Total investments held to maturity</b>		26,682		6,610

## 18. DUE FROM BANKS

	30 September 2016 (unaudited)	31 December 2015 (audited)
Due from banks	10,246	10,169
Accrued interest	75	4
<b>Total due from banks</b>	10,321	10,173

## 19. LOANS TO CUSTOMERS AND BANKS

	30 September 2016 (unaudited)	31 December 2015 (audited)
Originated loans to customers	871,570	974,136
Net investment in finance lease	4,186	4,186
Accrued interest	38,671	61,119
	914,427	1,039,441
Less: allowance for impairment losses	(103,248)	(151,326)
<b>Total loans to customers</b>	811,179	888,115
Originated loans to banks	653	897
Accrued interest	15	19
Less: allowance for impairment losses	(2)	-
<b>Total loans to customers and banks</b>	666	916
<b>Loans under reverse repurchase agreements</b>	13,012	2,949
Accrued interest	-	-
<b>Total loans to customers and banks</b>	824,857	891,980

Movement in allowances for impairment losses on loans to customers and banks for the nine months ended 30 September 2016 and 31 December 2015, is disclosed in Note 5.

The below summarizes the amount of loans to customers secured by type of collateral, rather than the fair value of the collateral itself:

	30 September 2016 (unaudited)	31 December 2015 (audited)
Loans collateralized by real estate	633,413	727,185
Loans collateralized by goods in turnover	54,991	71,364
Loans collateralized by equipment	55,016	69,351
Loans collateralized by corporate guarantees	57,657	62,896
Loans collateralized by other assets	67,410	51,602
Loans collateralized by cash	20,073	28,268
Unsecured loans	<u>25,867</u>	<u>28,775</u>
	914,427	1,039,441
Less: allowance for impairment losses	<u>(103,248)</u>	<u>(151,326)</u>
<b>Total loans to customers</b>	<u><u>811,179</u></u>	<u><u>888,115</u></u>

	30 September 2016 (unaudited)	31 December 2015 (audited)
<b>Analysis by sector:</b>		
Individuals	346 906	396,424
Trading	148 851	152,788
Rent of real estate	49 048	67,834
Industrial construction	39 412	54,457
Residential construction	23 369	53,608
Manufacturing	45 904	48,394
Agriculture	43 427	47,560
Energy	47 427	44,998
Transportation and equipment maintenance	32 285	36,042
Food industry	33 697	35,511
Oil and gas	19 330	20,814
Telecommunications and transport	11 602	13,460
Mass media	1 584	1,830
Other	<u>71 585</u>	<u>65,721</u>
	914 427	1,039,441
Less: allowance for impairment losses	<u>(103,248)</u>	<u>(151,326)</u>
<b>Total loans to customers</b>	<u><u>811,179</u></u>	<u><u>888,115</u></u>

Loans to customers comprise the following loan products:

	30 September 2016 (unaudited)	31 December 2015 (audited)
<b>Loans to legal entities</b>		
Corporate loans	498,496	564,948
Small and medium-sized enterprises	69,025	78,069
	<u>567,521</u>	<u>643,017</u>
<b>Loans to individuals</b>		
Mortgage loans	149,738	167,721
Consumer loans	112,838	130,723
Business development	78,036	92,091
Car loans	6,294	5,889
	<u>346,906</u>	<u>396,424</u>
Less: allowance for impairment losses	<u>(103,248)</u>	<u>(151,326)</u>
<b>Total loans to customers</b>	<u><u>811,179</u></u>	<u><u>888,115</u></u>

As at 30 September 2016 and 31 December 2015, the Group provided loans totaling KZT 311,263 million and KZT 351,543 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

As at 30 September 2016 and 31 December 2015, a significant amount of loans (98% and 98% of total portfolio, respectively) were granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 30 September 2016 and 31 December 2015, loans to customers included loans totaling KZT 82.741 million and KZT 67,354 million, respectively, with terms renegotiated. Otherwise these loans would be past due or impaired.

	30 September 2016 (unaudited)			31 December 2015 (audited)		
	Carrying amount before allowance	Allowance for impairment losses	Carrying amount	Carrying amount before allowance	Allowance for impairment losses	Carrying amount
Loans to customers individually determined to be impaired	235,122	(80,318)	154,804	282,149	(120,198)	161,951
Loans to customers collectively determined to be impaired	110,439	(16,514)	93,925	81,897	(21,203)	60,694
Unimpaired loans	<u>568,866</u>	<u>(6,416)</u>	<u>562,450</u>	<u>675,395</u>	<u>(9,925)</u>	<u>665,470</u>
<b>Total</b>	<u><u>914,427</u></u>	<u><u>(103,248)</u></u>	<u><u>811,179</u></u>	<u><u>1,039,441</u></u>	<u><u>(151,326)</u></u>	<u><u>888,115</u></u>

## 20. OTHER ASSETS

	30 September 2016 (unaudited)	31 December 2015 (audited)
<b>Other financial assets:</b>		
Receivables	11,102	8,896
Accrued commission	1,971	1,608
Western Union and other wireless transfers	2,866	213

	15,939	10,717
Less allowances for impairment losses	(1,261)	(1,504)
<b>Total other financial assets</b>	<b>14,678</b>	<b>9,213</b>
<b>Other non-financial assets:</b>		
Reposessed collateral	22,746	15,175
Investment property	3,202	3,376
Tax settlements, other than income tax	1,007	743
Advances paid	2,690	660
Inventory	36	31
	29,681	19,985
Less accumulated impairment	(122)	(150)
<b>Total other non-financial assets</b>	<b>29,559</b>	<b>19,835</b>
<b>Total other assets</b>	<b>44,237</b>	<b>29,048</b>

Movements in allowances for impairment losses on other assets for the periods ended 30 September 2016 and 31 December 2015 are disclosed in Note 5.

Reposessed collateral represents real estate accepted by the Group from its non-performing borrowers. These assets have been initially recognized at fair value and then measured at cost less accumulated interest. As at 30 September 2016, the Management has not yet decided on whether the reposessed collateral will be sold or used as property and equipment.

## 21. DUE TO BANKS AND FINANCIAL INSTITUTIONS

Item	Nominal interest rate (%)		30 September 2016 (unaudited)	31 December 2015 (audited)
	min	max		
Long-term loans due to banks and financial institutions	0.85	8.50	44,824	55,325
Loans due to international credit organizations	6.20	8.15	18,399	18,358
Subordinated loan	LIBOR+4.5	LIBOR+6.5	-	-
Perpetual debt	6.86	6.86	26,398	26,513
Short-term loans due to other banks and financial institutions	2.99	3.25	(71)	300
Loans due to the Government of the Republic of Kazakhstan and NBRK	5.50	5.50	124	30,132
Correspondent accounts of banks	-	-	4,539	1,169
Accrued interest			663	1,933
			<u>94,876</u>	<u>133,730</u>
Loans under repurchase agreements	12	12	2,546	47,818
<b>Total due to banks and financial institutions</b>			<b><u>97,422</u></b>	<b><u>181,548</u></b>

During the nine months ended 30 September 2016, the Group has received a long-term loan from JSC Development Bank of Kazakhstan in the amount of KZT 2,000 million at 1% p.a. maturing in 2035.

During the nine months ended 30 September 2016, the Group has received a long-term loan from JSC Entrepreneurship Development Fund DAMU in the amount of KZT 1,380 million at 4.50% p.a. maturing in 2021-2023.

The Perpetual non-cumulative debt was issued by the Group in March 2006 with an option to repay in whole, but not in part, on any interest payment date from and including 3 March 2016 at face value of USD 100 million. Interest payment dates are 3 March, 3 June, 3 September and 3 December in each year.

The Group is obligated to comply with financial covenants in relation to due to banks and subordinated loans. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios.

As at 30 September 2016 and 31 December 2015, the Group had long-term loans from JSC Development Bank of Kazakhstan, JSC Entrepreneurship Development Fund Damu and the NBRK that individually and in aggregate exceeded 10% of the Group's equity.

As at 30 September 2016 and 31 December 2015, fair value of assets pledged and carrying value of loans under repurchase agreements are presented as follows:

	30 September 2016 (unaudited)		31 December 2015 (audited)	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Bonds of the Ministry of Finance of the Republic of Kazakhstan	2,546	2,600	47,818	49,910
Corporate bonds	-	-	-	-
Government bonds of the Russian Federation	-	-	-	-
Bonds of banks	-	-	-	-
Other shares	-	-	-	-
<b>Total</b>	<u>2,546</u>	<u>2,600</u>	<u>47,818</u>	<u>49,910</u>

## 22. CUSTOMER AND BANK ACCOUNTS

	30 September 2016 (unaudited)	31 December 2015 (audited)
<b>Recorded at amortized cost:</b>		
Customer accounts	995,959	1,030,367
Banks accounts	6,663	24,202
	<u>1,002,622</u>	<u>1,054,569</u>
Accrued interest	5,519	5,509
<b>Total customer and bank accounts</b>	<u>1,008,141</u>	<u>1,060,078</u>

	30 September 2016 (unaudited)	31 December 2015 (audited)
Time deposits	708,679	756,463
Demand deposits	287,280	273,904
	<u>995,959</u>	<u>1,030,367</u>
Accrued interest	5,416	4,548
<b>Total customer accounts</b>	<u>1,001,375</u>	<u>1,034,915</u>

As at 30 September 2016 and 31 December 2015, customer accounts totaling KZT 126,253 million and KZT 193,857 million were due to five and five customers, respectively. This represents a significant concentration.

	30 September 2016 (unaudited)	31 December 2015 (audited)
<b>Analysis by sector:</b>		
Individuals	506,921	545,417
Social services	162,449	169,077
Real estate construction	61,699	73,016
Trade	48,755	51,962
Education and health care	36,340	27,896
Transportation and communication	39,624	43,251
Insurance companies and pension fund	15,403	19,972
Manufacturing	15,136	19,805
Agriculture	7,020	6,822
Energy	14,083	15,003
Oil and gas	8,882	12,341
Research and engineering	7,242	4,858
Entertainment services	3,791	5,309
Metallurgy	20,416	4,828
Fuel	9,806	4,260
Machinery	1,627	1,951
Chemical production	4,388	1,708
Public administration	1,488	368
Other	36,305	27,071
<b>Total customer accounts</b>	<u>1,001,375</u>	<u>1,034,915</u>

Banks accounts as at 30 September 2016 and 31 December 2015 comprised the following:

	30 September 2016 (unaudited)	31 December 2015 (audited)
Time deposits	2,000	24,200
Demand deposits	<u>4,664</u>	<u>2</u>
	6,664	24,202
Accrued interest	<u>102</u>	<u>961</u>
<b>Total bank accounts</b>	<u><u>6,766</u></u>	<u><u>25,163</u></u>

## 23. DEBT SECURITIES ISSUED

	Currency	Issue date (dd/mm/yy)	Maturity date (dd/mm/yy)	Interest rate, %	30 September 2016 (unaudited)	31 December 2015 (audited)
Kazakhstani bonds	KZT	26.04.2014	22.09.2025	7.50-9.00	24,393	26,249
					<u>24,393</u>	<u>26,249</u>
Accrued interest					834	346
<b>Total debt securities issued</b>					<u><u>25,227</u></u>	<u><u>26,595</u></u>

Interest on debt securities issued is repayable semiannually.

## 24. OTHER LIABILITIES

	30 September 2016 (unaudited)	31 December 2015 (audited)
<b>Other financial liabilities:</b>		
Settlements on other transactions	6,134	3,182
Obligations under financial guarantees issued	1,334	1,398
Provision for guarantees and letters of credit	148	510
Derivative financial instruments	9,492	9,769
Accrued commission expenses	<u>781</u>	<u>433</u>
	17,889	15,292

**Other non-financial liabilities:**

Taxes payable, other than income tax	1,663	1,355
Other non-financial liabilities	1,012	677
<b>Total other liabilities</b>	<b>20,564</b>	<b>17,324</b>

The movement in provisions for guarantees and other liabilities for the nine months ended 30 September 2016 and 31 December 2015 is disclosed in Note 5.

**25. SUBORDINATED BONDS**

	Curren cy	Issue date (dd/mm/yy)	Maturity date (dd/mm/yy)	Annual coupon rate, %	30 September 2016 (unaudited)	31 December 2015 (audited)
Floating rate	KZT	10/10/2006 27/11/2009	10/10/2016 11/11/2023	10.00-15.00	28,142	32,062
Fixed rate	KZT	27/06/2008 29/09/2015	27/06/2018 29/09/2025	10.00-11.00	29,406 57,548	29,414 61,476
Accrued interest					1,699	705
<b>Total subordinated bonds</b>					<b>59,247</b>	<b>62,181</b>

Interest on the subordinated bonds is repayable semiannually, and principal is repayable at the end of term.

**26. SHARE CAPITAL**

As at 30 September 2016, the Bank's share capital comprised the following number of shares:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(457,307)	161,999,493
Preference shares	39,249,255	-	-	39,249,255

As at 30 September 2016, the Bank's share capital is represented by:

	Authorized and issued share capital (KZT million)	Repurchased shares	Total
Ordinary shares	57,966	(46)	58,012
Preference shares	11,775	-	11,775
Total	69,741		69,787

As at 31 December 2015, the Bank's share capital comprised the following number of shares:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(872,685)	161,584,115
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2015, the Bank's share capital was represented by:

	Authorized and issued share capital (KZT million)	Repurchased shares	Total
Ordinary shares	58,016	(50)	57,966
Preference shares	11,775	-	11,775
Total	69,791	(50)	69,741

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 preferred share can be exchanged for one ordinary share.

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

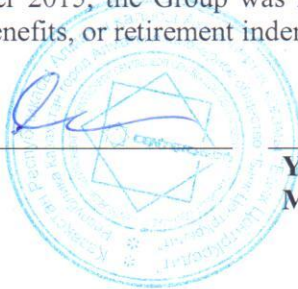
Preference shares have not voting rights and are not redeemable. Preference share holders have a right to receive dividends prior to common stockholders. Conversion of preference shares is performed based on the decision of the Board of Directors. Preference shares receive guaranteed dividends of KZT 0.01 per share.

	30 September 2016 (unaudited) Quantity (in thousands)	31 December 2015 (Audited) Quantity (in thousands)
Preference shares, beginning of the period	39,249	39,249
Preference shares issued	-	-
Preference shares, end of the period	39,249	39,249
Ordinary shares, beginning of the period	161,584	162,021
Treasury shares repurchased	(598)	(1,871)
Treasury shares sold	1,013	1,434
Ordinary shares, end of the period	161,999	161,584

### Pensions 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 and Russian Federation. As at 30 September 2016 and 31 December 2015, the Group was not liable for any supplementary pensions, post-retirement, health care, insurance benefits, or retirement indemnities to its current or former employees.

Lee V.S.  
Chairman



Yang Jinhwan  
Managing Director

Nurgaliyeva A.T.  
Chief Accountant