

**JSC BANK CENTERCREDIT**

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
OVER 3 MONTHS ENDED MARCH 31, 2014

## 1. ABOUT BANK

JSC Bank CenterCredit (hereinafter – the Bank) is a joint stock company, that was established and has been executing its activity on the territory of Republic of Kazakhstan since 1988. The Bank performs its activity in accordance with the legislation of the Republic of Kazakhstan. Authorized state bodies to the Bank are the National Bank of the Republic of Kazakhstan (hereinafter – NBRK) and Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (hereinafter – the Committee). The Bank performs its activity in accordance with license No.248 dated December13, 2007 issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations. On August 27, 2008 Kookmin Bank (South Korea) purchased a 23% stake in the Bank. As on March 31, 2013 Kookmin Bank's share amounted to 41.93 % of total issued shares of the Bank, and International Financial Company (IFC) holds 10% share stake in the Bank.

The Bank's core activity is commercial banking activity, operations with securities, loans, foreign currency and derivatives, granting loans and guarantees.

The Bank is member of Kazakhstan's Deposit Insurance Fund (hereinafter – KDIF)

Registered office of the Bank is situated at the following address: 38, Al-Farabi Av., 050059, Almaty city, Kazakhstan.

As of March 31, 2014 the Bank has 20 branches in the Republic of Kazakhstan.

The Bank is parent company of banking group (hereinafter – the Group), which include the following companies consolidated in this consolidated financial statements:

Name	Country, where the company operates	March 31, 2014	March 31, 2013	Activity type
APF Capital JSC	The Republic of Kazakhstan	75%	75%	Pension fund management
CenterLeasing LLC	The Republic of Kazakhstan	91%	91%	Financial leasing of property
BCC Invest JSC	The Republic of Kazakhstan	100%	100%	Broker-dealer activity
BCC-OUSA LLC	The Republic of Kazakhstan	100%	100%	Stressed asset management
Bank BCC-Moscow JSC	Russian Federation	100%	100%	Rendering banking services

Accumulating pension fund "Capital" JSC (APF Capital) was established in the form of closed joint stock company in accordance with the legislation of the Republic of Kazakhstan in October 2001. In December 2003 APF Capital was re-registered to joint-stock company. APF Capital keeps record of inflows of pension contributions and accumulations on individual pension accounts in accordance with the requirements of legal acts of the Republic of Kazakhstan.

According to new Law of the Republic of Kazakhstan No 105-V dated June 31, 2013 and amendments to it, as well as Resolution of the Government of the Republic of Kazakhstan No 747 dated July 31, 2013, reform of national pension system of the Republic of Kazakhstan has been started. In this regard transfer

of all pension assets and liabilities administered by private accumulating pension funds to Single Accumulating Pension Fund (SAPF) has been approved.

As a result of this reform, on November 18, 2013 APF “Capital” stopped accepting pension contributions from its depositors and transferred all pension assets and liabilities to the management to SAPF. Since then the activity of APF “Capital” is connected only with management of own investment portfolio.

Center Leasing LLC was established in the form of Limited Liability Company in accordance with the legislation of the Republic of Kazakhstan in September 2002. The core activity of Center Leasing LLC is leasing operations, which are conducted in accordance with Article 10 of Law of the Republic of Kazakhstan “On financial leasing”. Article 10 states that Limited Liability Company not necessarily has to have a license for executing leasing activity.

In May 1998 BCC Invest JSC was established in the form of Limited Liability Company (former «KIB ASSET MANAGEMENT»LLC) in accordance with the legislation of the Republic of Kazakhstan. On September 26, 2006 «KIB ASSET MANAGEMENT»LLC was re-registered into joint-stock company. The core activity of BCC Invest JSC is management of investment fund’s assets and management of investment portfolio.

In August 2006 the Bank obtained a permit, issued by Agency for Financial Supervision to establish subsidiary “Bank BCC-Moscow” LLC. On March 21, 2008 “Bank BCC-Moscow” obtained the license of the Central Bank of Russian Federation. The core activity of “Bank BCC-Moscow” is rendering of banking services.

In December 2011 the Government of the Republic of Kazakhstan adopted a Law on “Introducing Amendments and additions into Certain Legislative Acts of the Republic of Kazakhstan in relation to Regulation of Banking Activity and Financial Institutions in respect of Risk Minimization” providing establishment of special subsidiaries by second-tier banks that shall purchase and manage non-performing (distressed) assets of these banks. On August 21, 2013 a special distressed assets management subsidiary of the Bank «BCC-OYCA» was registered with the Ministry of Justice of the Republic of Kazakhstan.

As on March 31, 2014 the following stakeholders, each of who hold more than 5% of issued shares of the Group are as follows:

	March 31, 2014 %	March 31, 2013 %
Kookmin Bank	41.93	41.93
B.R.Baiseitov	25.11	25.10
IFC	10.00	10.00
Others (parties who individually hold less than 5% of shares)	22.96	22.97
Total	100.00	100.00

## **2. PRINCIPLES OF FINANCIAL STATEMENTS PRESENTATION**

### **Main principles of accounting**

These interim condensed consolidated financial statements of the Group have been prepared using accounting policy that is compliant with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 34 “Interim financial statement”. Accordingly, certain information and disclosures, normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. These interim condensed consolidated financial statements should be read in conjunction with consolidated financial statements and related notes included in consolidated financial statements of the Group for the year ended December 31, 2013.



These interim condensed consolidated financial statements are presented in millions Kazakh Tenge (mn KZT), unless otherwise specified. These interim condensed consolidated financial statements are prepared in accordance with accrual method based on principle of historical cost, excluding investments held for sale, financial assets at fair value through profit and loss and derivative financial instruments at fair value.

The Group maintains their accounting records in accordance with the Accounting Policies approved by the Group's Resolution of the Board of Directors. These interim condensed consolidated financial statements, which were prepared based on accounting records, were properly adjusted to be compliant with IFRS.

### Functional currency

Items, included in interim condensed financial statements of each of the Group's companies, shall be assessed using currency that best reflects the economic substance of the underlying events and circumstances relevant to the company (the "functional currency"). The Group's functional currency is Kazakh Tenge ("Tenge").

### 3. NET INTEREST INCOME

	Three months ended March 31, 2014 (unaudited)	Three months ended March 31, 2013 (unaudited)
<b>Interest income:</b>		
Interest income on financial assets at amortized cost:		
- interest income on financial assets which were impaired	8,072	9,766
- interest income on financial assets which were not impaired	12,650	9,501
Interest income on financial assets at fair value through profit and loss	<u>1,178</u>	<u>1,086</u>
<b>Total interest income</b>	<u>21,898</u>	<u>20,353</u>
Interest income on financial assets at amortized cost include the following:		
Interest on loans to clients and banks	17,628	18,536
Interest on investments held till maturity	265	458
Penalties on loans to clients and banks	2,766	189
Interest on funds due from banks	<u>63</u>	<u>84</u>
Total interest income on financial assets at amortized cost	<u>20,722</u>	<u>19,267</u>
Interest income on financial assets at fair value through profit and loss include the following:		
Interests on investments held for sale	729	674
Interests on investments which initially were reflected at fair value through profit or loss	<u>449</u>	<u>412</u>
Total interest income on financial assets at fair value through profit and loss	<u>1,178</u>	<u>1,086</u>
<b>Interest expenses:</b>		
Interest expenses on financial liabilities at amortized cost	<u>11,027</u>	<u>13,041</u>
<b>Total interest expenses</b>	<u>11,027</u>	<u>13,041</u>

Interest expenses on financial liabilities at amortized cost:		
Interests on funds due to clients and banks	7,207	9,115
Interests on debt securities issued	622	1,777
Interests on funds and loans due to banks and financial organizations	2,155	1,557
Interests on subordinated bonds	1044	592
	<u>11,027</u>	<u>13,041</u>
Total interest expenses on financial liabilities at amortized cost		
<b>Net interest income before provision for impairment losses on interest bearing financial assets</b>	<u><u>10,871</u></u>	<u><u>7,312</u></u>

#### 4. PROVISION FOR IMPAIRMENT, OTHER PROVISIONS

Movements in provisions for impairment losses on interest bearing assets are as follows:

	Consumer loans	Corporate loans	Receivables on credit cards	Total (Note 17)
<b>December 31, 2012</b>	14,290	123,088	42	137,420
(Creation of provisions)/recovery of provisions	4,659	(2,835)	23	1,846
Assets write-off	(21)	-	-	(21)
Recovery of earlier written-off assets	40	2	-	43
Currency translation difference	-	(24)	-	(24)
	<u>18,968</u>	<u>120,231</u>	<u>65</u>	<u>139,264</u>
<b>March 31, 2013</b>				
<b>December 31, 2013</b>	<u>42,030</u>	<u>154,989</u>	<u>209</u>	<u>197,228</u>
(Creation of provisions)/recovery of provisions	11,823	(3,641)	(26)	8,156
Assets write-off	0	0	-	0
Recovery of earlier written-off assets	13	159	-	172
Currency translation difference	3,228	8,549	-	11,777
	<u>57,094</u>	<u>160,056</u>	<u>183</u>	<u>217,333</u>
<b>March 31, 2014</b>				

Movements in provisions for impairment on other operations are as follows:

	Investments held till maturity (Note 15)	Fixed assets and intangible assets	Other assets (Note 18)	Guarantees and L/C (Note 22)	Total
<b>December 31, 2012</b>	106	-	1,242	1,779	3,127
(Recovery of provisions) /creation of provisions	-	-	68	(370)	(302)
Assets write-off	-	-	(87)	-	(87)
Recovery of earlier written-off assets	-	-	-	-	-
Currency translation difference	-	-	-	(2)	(2)
	<u>106</u>	<u>-</u>	<u>1,223</u>	<u>1,407</u>	<u>2,736</u>
<b>March 31, 2013</b>					
<b>December 31, 2013</b>	<u>-</u>	<u>-</u>	<u>1,891</u>	<u>1,780</u>	<u>3,671</u>
(Recovery of provisions) /creation of provisions	-	-	1,117	740	1,857

Assets write-off	-	-	42	-	42
Recovery of earlier written-off assets	-	-	-	-	-
Currency translation difference	-	-	(331)	499	168
<b>March 31, 2014</b>	<u>-</u>	<u>-</u>	<u>2,719</u>	<u>3,019</u>	<u>5,738</u>

## 5. NET PROFIT ON TRANSACTIONS WITH FINANCIAL ASSETS AND LIABILITIES REFLECTED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended March 31, 2014 (unaudited)	Three months ended March 31, 2013 (unaudited)
Net profit on financial assets and liabilities reflected at fair value through profit or loss	<u>825</u>	<u>72</u>
<b>Total net profit on financial assets and liabilities reflected at fair value through profit or loss</b>	<u><u>825</u></u>	<u><u>72</u></u>
Net profit on financial assets and liabilities reflected at fair value through profit or loss includes:		
Unrealized (loss)/profit from adjustment of fair value of trading financial assets	746	84
Realized (loss)/profit on trading transactions	26	62
Realized (loss)/profit on transactions with derivative financial instruments	30	34
Unrealized (loss)/profit on transactions with derivative financial instruments	<u>23</u>	<u>(108)</u>
<b>Total net profit on transactions with financial assets and liabilities reflected at fair value through profit or loss</b>	<u><u>825</u></u>	<u><u>72</u></u>

## 6 REALIZED NET PROFIT (LOSS) FROM DISPOSAL AND IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

	Three months ended March 31, 2014 (unaudited)	Three months ended March 31, 2013 (unaudited)
Realized net profit/(loss) on available-for-sale investments	47	-
Profit/(loss) from impairment of available-for-sale investments	<u>-</u>	<u>-</u>
<b>Total realized net profit/(loss) from disposal and impairment of available-for-sale investments</b>	<u><u>47</u></u>	<u><u>-</u></u>

## 7. NET PROFIT ON FOREIGN EXCHANGE TRANSACTIONS

	Three months ended March 31, 2014 (unaudited)	Three months ended March 31, 2013 (unaudited)
Net dealing transactions	4,568	750
Net currency translation difference	<u>(3,824)</u>	<u>80</u>
<b>Total net profit on foreign exchange transactions</b>	<u><u>744</u></u>	<u><u>832</u></u>



## 8. FEE AND COMMISSION INCOME AND EXPENSE

	Three months ended March 31, 2014 (unaudited)	Three months ended March 31, 2013 (unaudited)
<b>Income on services and fee and commission received:</b>		
Settlement transactions	1038	944
Cash transactions	1141	1010
Payment cards	881	823
Issue of guarantees	785	830
Conduct of fiduciary transactions	13	827
Foreign exchange transactions	241	206
Other	401	304
<b>Total income on services and fee and commission received</b>	<b>4500</b>	<b>4,944</b>
<b>Expenses on services and fee and commission paid:</b>		
Settlement transactions	245	203
Conduct of trade finance transactions	17	14
Foreign currency transactions	48	2
Brokerage services	0	35
Other	123	74
<b>Total expenses on services and fee and commission paid</b>	<b>433</b>	<b>328</b>

## 9. OPERATING EXPENSES

	Three months ended March 31, 2014 (unaudited)	Three months ended March 31, 2013 (unaudited)
Salary	2,482	2,622
Rental expenses	507	805
Deposit guarantee funds	631	732
Depreciation and amortization	503	616
Taxes (except for income tax)	479	810
Administrative expenses	320	341
Security and alarm expenses	148	124
Telecommunications	120	163
Advertisement expenses	14	66
Repairs and maintenance	47	42
Travel	30	26
Professional service expenses	25	47
Other expenses	295	654
	<b>5,601</b>	<b>7,048</b>

## 10. INCOME TAX

The Group calculated income tax for the current period on the basis of data of tax accounting, implemented in accordance with requirements of tax legislation of countries in which the Bank and its subsidiaries operate.

Most of significant continuing tax differences of the Group include particular expenses which are not subject to taxation, such as representation expenses and particular non-taxable income, such as interest

income on mortgage loans and income from transactions with government securities and securities quoted at Kazakhstan Stock Exchange. Tax effect from temporary differences as of March 31, 2014 and 2013 is as follows:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>Deductible temporary differences:</b>		
Transfer of loss of past years	3,444	5,316
Loans granted to customers	3,208	7,178
Loss from impairment of debt securities	0	5,507
Revaluation of financial assets and liabilities reflected at fair value through profit or loss	0	(73)
Other	<u>9,867</u>	<u>510</u>
<b>Total deductible temporary differences</b>	<u>16,519</u>	<u>18,438</u>
<b>Taxable temporary differences:</b>		
Fixed assets and intangible assets	(4,269)	(4,395)
Revaluation of financial assets and liabilities reflected at fair value through profit or loss	(4,018)	(3,503)
Other	<u>0</u>	<u>(245)</u>
<b>Total taxable temporary differences</b>	<u>(8,287)</u>	<u>(8,143)</u>
<b>Net deferred tax assets</b>	<u>8,232</u>	<u>10,295</u>
Deferred tax assets at fixed rate	1,646	2,058
Unrecognized deferred tax asset	<u>0</u>	<u>(21)</u>
Net deferred tax assets at fixed rate	<u>1,646</u>	<u>2,037</u>

Tax rate used for calculation of corporate income tax for three months ended March 31, 2014 and three months ended March 31, 2013 is equal to 20% payable by legal entities on the basis of taxable income according to legislation of the Republic of Kazakhstan.

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>Assets/(liabilities) on deferred income tax</b>		
Beginning of year	1,132	2,036
Change of deferred tax assets/(liabilities)	<u>514</u>	<u>1</u>
End of period	<u>1,646</u>	<u>2,037</u>



## 11. CARRYIN AMOUNT OF ONE SHARE

Carrying amount of one share on each type of shares as of March 31, 2014 and March 31, 2013 is as follows:

Type of shares	March 31, 2014			March 31, 2013		
	Outstanding shares (number of shares)	Amount for calculation of carrying amount Million KZT	Carrying amount of one share KZT	Outstanding shares (number of shares)	Amount for calculation of carrying amount Million KZT	Carrying amount of one share KZT
Common shares	162,355,349	75,368	464	162,317,889	74,024	456
Preferred shares	39,249,255	<u>11,775</u>	300	39,249,255	<u>11,775</u>	300
		<u>87,143</u>			<u>85,799</u>	

Carrying amount of one preferred share is calculated as relation of capital value relating to preferred shares to total number of preferred shares as of the reporting date.

Carrying amount of one common share is calculated as relation of the amount of net assets of the Group for common shares to total number of common shares as of the reporting date. Net assets of the Group for common shares are calculated as total capital value less intangible assets and capital value relating to preferred shares as of the reporting date.

Total number of common and preferred shares is calculated as total number of issued and outstanding shares less shares repurchased by the Group as of the reporting date.

## 12. CASH AND CASH EQUIVALENTS

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Cash due from financial institutions	98,516	108,816
Cash on hand	38,043	29,465
Cash in transit	<u>9,851</u>	<u>9,532</u>
	146,410	147,813
Accrued interest	<u>5</u>	<u>11</u>
<b>Total cash and cash equivalents</b>	<u>146,415</u>	<u>147,824</u>

Minimum level of reserves is determined as particular interest out of weighted average balance of deposits and international borrowings in accordance with the requirements of the National Bank of the Republic of Kazakhstan and totaled to KZT 14,721 million and KZT 13,405 million as of March 31, 2014 and March 31, 2013 correspondingly. The Group complied with the requirements of the National Bank of the Republic of Kazakhstan towards maintaining weighted average balance with the National Bank of the Republic of Kazakhstan, and thus, it had power to use cash without any limitations.

Cash due from financial institutions with initial maturity equal to or less than 3 months consists of:

	Interest rates (%)		March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
	Min.	Max.		
Fixed deposits in bank	0,00%	8,00%	98,516	108,816
Fixed deposits in the National Bank of the Republic of Kazakhstan			-	-
				108,816
Total accrued interest			5	11
<b>Total cash due from financial institutions</b>			<b>98,521</b>	<b>108,826</b>

As of March 31, 2014 the Group held deposit accounts with LBW Stuttgart, EURASIAN BANK, and JSC "DELTA BANK» and as of March 31, 2013 - with CitiBank, New York, BNP Paribas, France, Societe Generale, JP Morgan A.G Frankfurt, LBW Stuttgart, Germany, and Deutsche Bank that jointly and severally exceeded 10 % of the Group's equity.

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

Financial assets, reflected at fair value through profit or loss value, held for trading include:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Financial assets held for trading:		
Debt securities	24,752	22,462
Equity securities	35	341
<b>Total financial assets held for trading</b>	<b>24,787</b>	<b>22,803</b>
Derivatives	4,566	3,855
<b>Total financial assets reflected at fair value through profit or loss</b>	<b>29,354</b>	<b>26,658</b>

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Interest rate at face value	Fair value	Interest rate at face value	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	3,70-7,80	8,040	3.70 -7.80	8,198
Kazakhstan corporate bonds	7,00-8,50	4,061	5.50-13.00	6,033
Russian corporate bonds		1	3.70-10.25	7,480
				750
Government bonds of the Russian Federation	6,88-8,15	10,479	6.88-7.10	
International corporate bonds		6		1
Other		2,165		
Total debt securities		24,752		22,462

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Interest rate at face value	Fair value	Interest rate at face value	Fair value

**Debt securities:**

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Ownership %	Fair value	Ownership %	Fair value
Equity securities:				
Stocks of local companies (Republic of Kazakhstan)	-	29	-	341
Stocks of international corporations	-	<u>6</u>	-	<u>-</u>
<b>Total equity securities</b>		<u>35</u>		<u>341</u>

	March 31, 2014 (unaudited)			March 31, 2013 (unaudited)		
	Face value	Asset	Net fair value Liability (Note 22)	Face value	Asset	Net fair value Liability (Note 22)
<b>Derivative Financial Instruments:</b>						
<b>Foreign currency contracts</b>						
Swaps	24,488	4,566	33	26,425	3,815	33
Embedded derivatives			0	623	40	-
<b>Total derivative financial instruments</b>		<u>4,566</u>	<u>33</u>		<u>3,855</u>	<u>33</u>

The table above shows derivative financial instruments recorded at fair value as either assets or liabilities on the balance sheet with their notional principal amount. Notional principal amount is an amount of a relevant asset, rate or an index on the basis of which changes in fair value of derivative financial instrument are measured. Notional principal amount shows volume of transactions at the end of year and does not indicate market or credit risk.



Issue of derivative financial instruments typically represents exchange of mutual promises with minimum interest being transferred or without any interest at all. At the same time such instruments often involve high level application of borrowed funds and exposure to high volatility.

A relatively small change in the price of an asset, interest rate, or index underlying derivative contracts can have a significant influence over profit or loss of the Group.

#### 14. INVESTMENTS AVAILABLE FOR SALE

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Debt securities	55,334	57,867
Equity securities	200	197
<b>Total investments available for sale</b>	<u>55,534</u>	<u>58,064</u>

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Interest rate at face value	Fair value	Interest rate at face value	Fair value
<b>Debt securities:</b>				
Government and public bonds of the RK	4.80-7.80	36,110	2.25-8.75	44,564
Kazakhstan corporate bonds	7,00-8,50	14,948	7.00-8.00	9,297
Russian corporate bonds	4,36-8,40	4,557	5,36 -10,40	4,006
<b>Total debt securities</b>		<u>55,615</u>		<u>57,867</u>

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Ownership %	Fair value	Ownership %	Fair value
<b>Equity securities:</b>				
Stocks of local companies (Republic of Kazakhstan)	0,02-16,6	200	-	197
<b>Total equity securities</b>		<u>200</u>		<u>197</u>
<b>Total available for sale investments</b>		<u>55,815</u>		<u>58,064</u>

Interest from debt securities accrued as of March 31, 2014 and included in the available for sale investments is KZT 928 million.

## 15. INVESTMENTS HELD-TO-MATURITY

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Interest rate at face value	Fair value	Interest rate at face value	Fair value
Government and public bonds of the RK	4.80- 6,00	7,711	4.30-8.75	13,830
Kazakhstan corporate bonds	7,00-8,50	4,115	5.01-13.00	8,195
Russian corporate bonds			5.03-9.63	1,005
International corporate bonds	3,42	294	5.05	298
				<hr/>
Less impairment charges		12,120		23,328
		-		
<b>Total investments held-to-maturity</b>		<u>12,120</u>		<u>23,328</u>

The details of movement in impairment charges on investments held-to-maturity for three months ended March 31, 2014 and the year ended March 31, 2013 are provided in the Notice 4.

## 16. DUE FROM BANKS

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Due from banks	2,923	2,494
Interest accrued	<u>42</u>	<u>21</u>
<b>Due from banks total</b>	<u>2,965</u>	<u>2,515</u>

## 17. LOANS PROVIDED TO CUSTOMERS AND BANKS

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Loans provided to customers	928,119	890,388
Net investments to the financial lease	5,783	5,624
Interest accrued	<u>75,379</u>	<u>30,432</u>
	<u>1008,616</u>	<u>926,444</u>

Less impairment charges	(217,333)	(139,264)
<b>Total loans provided to customers</b>	<b>791,283</b>	<b>787,180</b>
Loans provided to banks	7,516	7,111
Interest accrued	22	12
<b>Total loans provided to banks</b>	<b>7,538</b>	<b>7,123</b>
<b>Loans issued under reverse repurchase agreements</b>	<b>2,084</b>	<b>-</b>
<b>Total loans provided to customers and banks</b>	<b>800,905</b>	<b>794,303</b>

The details of movement in impairment charges on loans provided to customers and banks for three months ended March 31, 2014 and the year ended March 31, 2013 are provided in the Notice 4.

The table below shows loans provided to customers and secured by different types of collaterals and does not indicate fair value of the collateral itself:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Loans secured by property and property rights	725,151	674,286
Loans secured by goods for sale	107,612	98,624
Equipment-secured loans	60,005	54,574
Loans secured by corporate entity guarantees	48,674	45,672
Loans secured by other assets	16,685	27,897
Cash-secured loans	20,329	11,887
Unsecured loans	<u>30,160</u>	<u>13,504</u>
	1008,616	926,444
Less impairment charges	<u>(217,333)</u>	<u>(139,264)</u>
<b>Total loans provided to customers</b>	<b><u>791,283</u></b>	<b><u>787,180</u></b>

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>Economic sectors breakdown analysis:</b>		
Individuals	369,091	329,403
Trade	168,543	183,146
Industrial construction	68,994	46,716
Manufacturing	61,737	50,023
Food industry	48,769	50,119
Residential construction	57,867	62,835
Real property lease	50,599	44,341
Agriculture	49,099	37,834
Transportation and maintenance of equipment	27,718	25,881
Oil and gas industry	22,444	27,228
Transport and telecommunications	13,552	17,043
Energy	9,762	8,512
Mass media	5,883	1,670
Other	47,557	41,693
Metal industry	<u>2,445</u>	<u>-</u>
Financial sector	2,076	-



Mining and production of precious metals	1,726	-
Machine industry	755	-
	<u>1008,616</u>	<u>926,444</u>
Less impairment charges	<u>(217,333)</u>	<u>(139,264)</u>
<b>Total amount of loans provided to customers</b>	<u><u>791,283</u></u>	<u><u>787,180</u></u>

Retail loans are represented by the following credit products:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Mortgage loans	173,094	158,449
Consumer loans	118,211	106,805
Business development	70,249	58,655
Auto loans	<u>7,537</u>	<u>5,494</u>
	369,091	329,403
Less impairment charges	<u>(56,750)</u>	<u>(21,092)</u>
<b>Total retail loans</b>	<u><u>312,341</u></u>	<u><u>308,311</u></u>

	March 31, 2014 (unaudited)			March 31, 2013 (unaudited)		
	Carrying amount before impairment charges	Impairment charges	Carrying amount	Carrying amount before impairment charges	Impairment charges	Carrying amount
Loans provided to customers and recognized as impaired on a stand-alone basis	339,364	(147,603)	191,761	287,579	(101,594)	185,985
Loans provided to customers and recognized as impaired on collective basis	103,704	(23,619)	80,086	191,147	(17,642)	173,505
Unimpaired loans	<u>565,548</u>	<u>(46,111)</u>	<u>519,436</u>	<u>447,718</u>	<u>(20,028)</u>	<u>427,690</u>
<b>Total</b>	<u><u>1008,616</u></u>	<u><u>(217,333)</u></u>	<u><u>791,283</u></u>	<u><u>926,444</u></u>	<u><u>(139,264)</u></u>	<u><u>787,180</u></u>

As of March 31, 2014 and March 31, 2013 the Group entered into a financial lease agreement as lessor. The leasing interest rate is fixed as of the contract date for all leasing terms.

The details of net investments to the financial lease as of March 31, 2014 and March 31, 2013 are as follows:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Not later than one year	1,581	1,735
From one to five years	2,279	1,790
More than five years	10,803	6,400
	<hr/>	<hr/>
Minimum financial lease payments	14,662	9,925
Less unearned income	(8,880)	(4,263)
	<hr/>	<hr/>
Net investments to the financial lease	5,783	5,662
	<hr/>	<hr/>
Current investments	1,581	1,735
Long-term investments	4,202	8,190
	<hr/>	<hr/>
<b>Net investments to the financial lease</b>	<b>5,783</b>	<b>9,925</b>
	<hr/>	<hr/>

Fair value of assets received as collateral and carrying amount of the reverse repurchase agreements as of March 31, 2014 and March 31, 2013 is as follows:

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Bonds of the Ministry of Finances of the Republic of Kazakhstan	2,084	2,079	-	-
Notes of the National Bank of the Republic of Kazakhstan	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>2,084</b>	<b>2,079</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## 18. OTHER ASSETS

Other assets include:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>Other financial assets:</b>		
Accounts receivable	6,267	2,425
Accrued commission	3,180	650
Western Union and other electronic transfers	171	325
Other financial assets	45	50
	<hr/>	<hr/>
Less impairment charges	9,663	3,450
	<hr/>	<hr/>
<b>Other financial assets total:</b>	<b>8,129</b>	<b>3,209</b>
	<hr/>	<hr/>
<b>Other non-financial assets:</b>		
Long-term available for sale assets	16,826	7,888
Seized property		
Refundable taxes except income tax	1,138	1,981
Advances paid	858	1,686
Inventories	138	135

	18,960	11,690
Less impairment charges	<u>(1,185)</u>	<u>(982)</u>
<b>Other non-financial assets total</b>	<u>17,775</u>	<u>10,708</u>
<b>Other assets total</b>	<u><u>25,904</u></u>	<u><u>13,917</u></u>

The details of movement in impairment charges on other assets for three months ended March 31, 2014 and the year ended March 31, 2013 are provided in the Notice 4.

#### 19. AMOUNTS AND LOANS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Item	Annual interest rate (%)		March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
	мин	макс		
Long-term loans issued by other banks and financial institutions	1.08	8.50	32,052	22,573
Loans issued by other international banking institutions	5.53	5.53	428	14,176
Subordinated loans	LIBOR+4.5	LIBOR+6.5	4,558	25,647
Perpetual securities	9.13	9.13	14,069	12,031
Short-term loans issued by other banks and financial institutions	2,76	6,50	6,190	7,289
Loans issued by the Government of the Republic of Kazakhstan and the National bank of the RK	5.50	5.50	80,162	245
Correspondent account of banks	-	-	1,621	381
Accrued interest expenses			<u>1,060</u>	<u>1,081</u>
			<u>140,140</u>	<u>83,423</u>
Loans issued under repurchase agreements	0,1	0,5	<u>28,926</u>	<u>9,202</u>
<b>Total amounts and loans due to banks and other financial institutions</b>			<u><u>169,066</u></u>	<u><u>92,625</u></u>

Perpetual non-cumulative financial instruments were issued by Bank in March 2006 with right of redemption in full, but not in parts, at any day of interest payment, starting from March 3, 2016 at nominal value totaling USD 10 million. Interest payment date is March 3 and September 3 annually.

Interests and principal debt on loans received from banks are subject to repayment quarterly, semiannually and at the end of term, depending on approved payment schedule.

Subordinated loan interest is to be paid on a semiannual basis, principal – at the end of 2015.



In case of bankruptcy or liquidation of the Group repayment of this indebtedness is carried out after fulfillment of liabilities of the Group to all other lenders.

As of March 31, 2014 the Group had long-term loans issued by JSC “Damu” Entrepreneurship Development Fund” total amount of which jointly and severally exceeded 10 % of the Group’s equity. As of March 31, 2012 the Group had long-term loans issued by the Eurasian Development Bank, JSC “Damu” Entrepreneurship Development Fund” and the International Finance Corporation that jointly and severally exceeded 10 % of the Group’s equity.

As of March 31, 2014 and March 31, 2013 the fair value of assets assigned as security, and carrying amount of liabilities under REPO amounted to the following:

	March 31, 2014 (unaudited)		March 31, 2013 (unaudited)	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Government bonds of the Republic of Kazakhstan	13,682	14,623	4,720	5,259
Kazakhstan corporate bonds	13,381	12,505	200	200
Corporate bonds of the Russian Federation	1,863	1,863	4,280	4,583
<b>Total</b>	<u>28,926</u>	<u>28,991</u>	<u>9,200</u>	<u>10,042</u>

## 20. AMOUNTS DUE TO CLIENTS AND BANKS

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>At amortized cost:</b>		
Amounts due to clients	755,599	788,968
Amounts due to banks	<u>5,605</u>	<u>11,886</u>
Interest accrued	<u>761,204</u>	<u>800,854</u>
<b>Total amounts due to clients and banks</b>	<u>767,780</u>	<u>807,982</u>
	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Term deposits	525,213	558,461
Demand deposits	<u>230,386</u>	<u>230,507</u>
Interest accrued	<u>755,599</u>	<u>788,968</u>
<b>Total amounts due to clients</b>	<u>762,099</u>	<u>795,145</u>

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>Analysis by economy sectors:</b>		
Private sector	300,474	386,743
Agriculture	4,763	5,835
Social services	153,141	170,410
Construction	53,990	47,014
Transport and communication	9,831	17,564
Manufacture	4,887	8,112
Insurance	23,153	37,641
Metal industry	10,203	16,004
Research and development	6,719	6,155
Fuel	6,101	22,401
Trade	36,764	32,948
Power industry	15,772	11,925
Entertainment	3,757	4,597
Machine industry	1,012	1,624
Chemical industry		
Education and healthcare	2,533	968
Oil and gas industry	51,482	-
Other	40,931	-
	36,586	25,204
<b>Total amounts due to clients</b>	<b>762,099</b>	<b>795,145</b>

Amounts due to banks as of March 31, 2014 and March 31, 2013 are as follows:

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Term deposits	5,600	11,750
Demand deposits	6	136
	<u>5,606</u>	<u>11,886</u>
Interest accrued	75	951
<b>Total amounts due to banks</b>	<u><u>5,681</u></u>	<u><u>12,837</u></u>

## 21. DEBT SECURITIES ISSUED

	Currency	Issue date (dd/mm/yyyy)	Maturity date (dd/mm/yyyy)	Interest rate, %	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
International bonds	USD					55,336
Bonds issued in Kazakhstan	KZT	29/12/2004- 27/12/2005	29/12/2014 27/12/2015	5.50-6.90	9,589	7,685
International bonds	JPY	-	-	6.24	-	-
Bonds issued in the Russian Federation	USD					-

Bonds issued in the Russian Federation	RUR	-	-	-	-	-
						9,589
Interest accrued						152
<b>Total debt securities issued</b>						<b>9,741</b>
						63,040
						1,564
						<b>64,604</b>

Interest expense on debt securities issued is subject to be paid semiannually.

## 22. OTHER LIABILITIES

	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
<b>Other financial liabilities:</b>		
Other operations settlements	2,840	4,090
Derivative financial instruments (Note 13)	37	33
Accrued commission expenses	396	373
Guarantee and L/C provisions		-
Issued guarantee liabilities	3,073	-
	6,346	4,495
<b>Other non-financial liabilities:</b>		
Taxes payable, except for income tax	1,173	1,168
Guarantee and L/C provisions (Note 4)	3,019	1,407
Other non-financial liabilities	438	228
<b>Total other liabilities</b>	<b>10,976</b>	<b>7,299</b>

Information on movement of guarantee and other liabilities provisions over three months ended March 31, 2014 and March 31, 2013 is given in Note 4.

## 23. SUBORDINATED BONDS

	Curren- cy	Issue date (dd/mm/yyyy)	Maturity date (dd/mm/yyyy)	Interest rate, %	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Floating rate	KZT	31/05/2005 27/11/2009	31/05/2015 11/11/2023	6.40-6.90	38,921	26,979
Fixed rate	KZT	27/06/2008	27/11/2024	11.00	14,680	5,994
					53,601	32,973
Accumulated interest expense					1,451	797

Total subordinated bonds

55,052

33,770

Interest expense on subordinated bonds is subject to payment semiannually, principal debt is subject to repayment at the end of term.

In case of bankruptcy or liquidation of the Group repayment of this indebtedness is carried out after fulfillment of liabilities of the Group to all other lenders.

## 24. CHARTER CAPITAL

As of March 31, 2014 the charter capital of the Bank is represented as follows:

	Authorized charter capital	Unissued capital	Bought out shares	Total charter capital
Common shares	260,750,745	(98,293,945)	-	162,456,800
Preferred shares	39,249,255	-	-	39,249,255

As of March 31, 2013 the charter capital of the Bank is represented as follows:

	Authorized charter capital	Unissued capital	Bought out shares	Total charter capital
Common shares	260,750,745	(98,293,945)	(138,911)	162,317,889
Preferred shares	39,249,255	-	-	39,249,255

All common shares belong to the same class with one vote and do not have nominal value.

As of March 31, 2014 and March 31, 2013 common shares bought out amounted to KZT 139 million and KZT 139 million correspondingly.

Pursuant to the Law of the Republic of Kazakhstan "On joint stock companies" dividends are paid in money or securities of the Bank provided that the decision on dividend payment was adopted on general meeting of Bank's shareholders. Pursuant to Articles of Association of the Bank common share dividend payment is effected at-year-end.

Preferred shares do not have voting rights and cannot be bought out by the Bank. Preferred share holders have a pre-emption right against holders of common shares to get dividends. Conversion of preferred shares is carried out on the basis of the decision of the Board of Directors. Guaranteed size of dividends per single preferred share amounts to KZT 0.01.



	Three months ended March 31, 2014 (unaudited)	Year ended March 31, 2013 (unaudited)
<b>Preferred shares as of the beginning of period</b>	39,249,255	39,249,255
Preferred shares issued	-	-
<b>Preferred shares as of the end of period</b>	39,249,255	39,249,255
<b>Common shares as of the beginning of period</b>	162,456,800	162,155,381
Common shares issued	-	-
Buyout of own shares	-	(51,228)
Sale of shares bought out	-	213,736
<b>Common shares as of the end of period</b>	162,456,800	162,317,889

## TAXATION

Due to the fact that there are provisions in Kazakhstani commercial, in particular, tax legislation that can have more than one interpretation and practice of tax authorities to take arbitrary decisions in relation to issues of taxpayer's activity in case if some definite actions based on interpretation of legislation regarding the Group's activity by top management are disputed by tax authorities, this can lead to assessment of additional taxes, fines and penalties. The Group is confident that all tax liabilities required have been carried out, and, thus, there have been no reserves accrued in consolidated financial statement.

Such uncertainty may particularly refer to assessment of financial instruments, making provisions for impairment/losses and determination of market price level of transactions. It may also result in tax authorities' interpretation of temporary differences occurred in making and recovering provisions for possible losses from loans and debts classified as loans as an attempt to reduce tax base. The Management of the Group warrants that all required tax accruals have been made and as a consequence no provisions were made in the consolidated financial statements.

## Pension payments

Pursuant to the legislative acts of the Republic of Kazakhstan and the Russian Federation all employees of the Group shall have the right for pension benefits. As of March 31, 2014 and 2013 the Group does not have any liabilities towards its former or current employees as regards additional pension benefits, health-care expenses in retirement, insurance compensation or other benefits in retirement.

M.K. Alzhanov  
Acting Chairman  
Management Board



Oh Ki Hong  
Managing director

A.T. Nurgaliyeva  
Chief accountant