

# **JOINT STOCK COMPANY BANK CENTERCREDIT**

**Interim Condensed Consolidated Financial  
Information (Unaudited)**

For the six months ended 30 June 2014

# JOINT STOCK COMPANY BANK CENTERCREDIT

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# JOINT STOCK COMPANY BANK CENTERCREDIT

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

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Management is responsible for the preparation of interim condensed consolidated financial information that presents fairly the consolidated financial position of Joint Stock Company Bank CenterCredit and its subsidiaries ("the Group") as at 30 June 2014 and the results of its operations for the three and six months periods then ended, as well as cash flows and changes in equity for the six months period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's interim condensed consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the interim condensed consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the six months ended 30 June 2014 was authorized for issue on 1 August 2014 by the Management Board of the Group.

On behalf of the Management Board:

Lee V.S.  
Chairman

1 August 2014  
Almaty



Oh Ki Hong  
Managing Director

1 August 2014  
Almaty

Nurgaliyeva A. T.  
Chief Accountant

1 August 2014  
Almaty

## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

To the Shareholders and Board of Directors of Joint Stock Company Bank CenterCredit:

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Company Bank CenterCredit and its subsidiaries ("the Group") as at 30 June 2014, the interim condensed consolidated statements of profit or loss, and comprehensive income for the three and six months periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and selected explanatory information. Management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

*Deloitte, LLP*

1 August 2014  
Almaty

# JOINT STOCK COMPANY BANK CENTERCREDIT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(in Kazakhstani tenge and in millions, except for earnings per share which is in tenge)

	Notes	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Interest income	4, 23	23,239	22,373	45,137	42,726
Interest expense	4, 23	(11,598)	(12,031)	(22,625)	(25,072)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>11,641</b>	<b>10,342</b>	<b>22,512</b>	<b>17,654</b>
Provision for impairment losses on interest bearing assets	5	(8,465)	(9,899)	(16,621)	(15,549)
<b>NET INTEREST INCOME</b>		<b>3,176</b>	<b>443</b>	<b>5,891</b>	<b>2,105</b>
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(170)	95	655	167
Net realized gain/(loss) on disposal of investments available-for-sale		12	(36)	59	(36)
Net gain on foreign exchange operations	7	990	1,017	1,734	1,849
Fee and commission income	8	5,560	5,611	10,060	10,555
Fee and commission expense	8	(563)	(363)	(996)	(691)
Provision for impairment losses on other transactions	5	(1,481)	(807)	(3,338)	(505)
Other income/(expense)		2	(11)	3	(26)
<b>NET NON-INTEREST INCOME</b>		<b>4,350</b>	<b>5,506</b>	<b>8,177</b>	<b>11,313</b>
<b>OPERATING INCOME</b>		<b>7,526</b>	<b>5,949</b>	<b>14,068</b>	<b>13,418</b>
<b>OPERATING EXPENSES</b>	9, 23	<b>(6,997)</b>	<b>(6,531)</b>	<b>(12,598)</b>	<b>(13,578)</b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>529</b>	<b>(582)</b>	<b>1,470</b>	<b>(160)</b>
Income tax benefit/(expense)	10	16	(547)	(284)	(431)
<b>NET PROFIT/(LOSS)</b>		<b>545</b>	<b>(1,129)</b>	<b>1,186</b>	<b>(591)</b>
Attributable to:					
Owners of the parent		532	(1,216)	1,158	(780)
Non-controlling interest		13	87	28	189
		<b>545</b>	<b>(1,129)</b>	<b>1,186</b>	<b>(591)</b>
<b>EARNINGS/(LOSS) PER SHARE</b>					
Basic (KZT)	11	2.64	(7.49)	5.75	(4.81)
Diluted (KZT)	11	2.64	(7.49)	5.75	(4.81)

On behalf of the Management Board:

Lee V.S.  
Chairman

1 August 2014  
Almaty



Oh Ki Hong  
Managing Director

1 August 2014  
Almaty

Nurgaliyeva A.T.  
Chief Accountant

1 August 2014  
Almaty

Selected explanatory notes on pages 9-44 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY BANK CENTERCREDIT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(in Kazakhstani tenge and in millions)

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
NET PROFIT/(LOSS)	545	(1,129)	1,186	(591)
OTHER COMPREHENSIVE INCOME				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	43	(166)	820	(273)
Net gain/(loss) resulting on revaluation of available-for-sale investments during the period	302	(91)	313	(198)
Reclassification adjustment relating to available-for-sale investments disposed of in the period, net of income tax of nil tenge	(12)	41	(59)	41
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX	333	(216)	1,074	(430)
TOTAL COMPREHENSIVE INCOME/(LOSS)	878	(1,345)	2,260	(1,021)
Attributable to:				
Owners of the parent	865	(1,432)	2,232	(1,210)
Non-controlling interest	13	87	28	189
TOTAL COMPREHENSIVE INCOME/(LOSS)	878	(1,345)	2,260	(1,021)

On behalf of the Management Board:

Lee V.S.  
Chairman

1 August 2014  
Almaty



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1 August 2014  
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Chief Accountant

1 August 2014  
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# JOINT STOCK COMPANY BANK CENTERCREDIT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 (UNAUDITED) (in Kazakhstani tenge and in millions)

	Notes	30 June 2014 (unaudited)	31 December 2013
<b>ASSETS</b>			
Cash and cash equivalents	12, 23	159,298	141,511
Obligatory reserves		20,481	16,645
Financial assets at fair value through profit or loss	13	29,719	27,253
Investments available-for-sale	14	50,330	53,931
Investments held-to-maturity	15	11,527	15,846
Due from banks	23	7,453	3,994
Loans to customers and banks	16, 23	810,187	783,895
Current income tax assets		2,182	1,436
Deferred income tax assets	10	213	1,132
Other assets	17	21,826	22,685
Property, equipment and intangible assets		24,933	25,154
<b>TOTAL ASSETS</b>		<b>1,138,149</b>	<b>1,093,482</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to banks and financial institutions	18	168,645	89,436
Customer and banks accounts	19, 23	804,141	806,553
Debt securities issued	20	9,849	49,045
Subordinated bonds		53,908	53,034
Other liabilities		12,834	8,544
<b>Total liabilities</b>		<b>1,049,377</b>	<b>1,006,612</b>
<b>EQUITY:</b>			
Equity attributable to owners of the parent:			
Share capital		69,819	69,826
Investments available-for-sale fair value deficit		(4)	(258)
Foreign currency translation reserve/(deficit)		495	(325)
Retained earnings		17,235	16,077
<b>Total equity attributable to owners of the parent</b>		<b>87,545</b>	<b>85,320</b>
Non-controlling interest		1,227	1,550
<b>Total equity</b>		<b>88,772</b>	<b>86,870</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,138,149</b>	<b>1,093,482</b>

On behalf of the Management Board:

Lee V.S.  
Chairman

1 August 2014  
Almaty



Oh Ki Hong  
Managing Director

1 August 2014  
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## JOINT STOCK COMPANY BANK CENTERCREDIT

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(in Kazakhstani tenge and in millions)

	Share capital	Investments available-for-sale fair value reserve/(deficit)	Foreign currency translation (deficit)/reserve	Statutory reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
31 December 2012	69,798	32	(26)	3,723	12,385	85,912	1,206	87,118
Net loss	-	-	-	-	(780)	(780)	189	(591)
Other comprehensive loss	-	(157)	(273)	-	-	(430)	-	(430)
Sale of treasury shares	39	-	-	-	-	39	-	39
30 June 2013 (unaudited)	69,837	(125)	(299)	3,723	11,605	84,741	1,395	86,136
31 December 2013	69,826	(258)	(325)	-	16,077	85,320	1,550	86,870
Net profit	-	-	-	-	1,158	1,158	28	1,186
Other comprehensive income	-	254	820	-	-	1,074	-	1,074
Repurchase of treasury shares	(7)	-	-	-	-	(7)	-	(7)
Payment of dividends	-	-	-	-	-	-	(351)	(351)
30 June 2014 (unaudited)	69,819	(4)	495	-	17,235	87,545	1,227	88,772

On behalf of the Management Board:

Lee V.S.  
Chairman

Oh Ki Hong  
Managing Director

Nurgaliyeva A.T.  
Chief Accountant

1 August 2014  
Almaty

1 August 2014  
Almaty

1 August 2014  
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# JOINT STOCK COMPANY BANK CENTERCREDIT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(in Kazakhstani tenge and in millions)

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received	50,514	38,036
Interest paid	(25,442)	(23,140)
Fee and commission received	9,996	10,378
Fee and commission paid	(1,053)	(669)
Other expenses paid	(5)	(26)
Operating expenses paid	(14,375)	(13,285)
Cash flows from operating activities before changes in operating assets and liabilities	19,635	11,294
Changes in operating assets and liabilities:		
Obligatory reserves	(3,836)	(391)
Financial assets at fair value through profit or loss	(1,624)	(3,411)
Due from banks	(3,458)	(2,195)
Loans to customers and banks	(62,192)	(16,815)
Other assets	(1,827)	(2,324)
Due to banks and financial institutions	77,168	(28,484)
Customer and banks accounts	1,014	49,422
Other liabilities	6,828	2,216
Cash flows from operating activities before taxation	31,708	9,312
Income tax paid	(111)	(187)
Net cash inflow from operating activities	31,597	9,125
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Proceeds on maturity and sale of investments available-for-sale	13,659	15,869
Purchase of investments available-for-sale	(9,799)	(9,009)
Proceeds on maturity of investments held-to-maturity	4,243	7,489
Purchase of investments held-to-maturity	-	(2,062)
Purchase of property, equipment and intangible assets	(1,064)	(1,691)
Proceeds on sale of property and equipment	-	260
Net cash inflow from investing activities	7,039	10,856

# JOINT STOCK COMPANY BANK CENTERCREDIT

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED) (CONTINUED) (in Kazakhstani tenge and in millions)

	Notes	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Purchase of treasury shares		(7)	-
Proceeds from sale of treasury shares		-	39
Repurchase and repayment of debt securities issued		(38,205)	(18,876)
Proceeds from debt securities issued		-	2,007
Proceeds from subordinated bonds issued		910	6,509
Payment of dividends		(351)	-
Net cash outflow from financing activities		<u>(37,653)</u>	<u>(10,321)</u>
<i>Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents</i>		16,804	111
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>17,787</u>	<u>9,771</u>
CASH AND CASH EQUIVALENTS, beginning of the period	12	<u>141,511</u>	<u>134,054</u>
CASH AND CASH EQUIVALENTS, end of the period	12	<u><u>159,298</u></u>	<u><u>143,825</u></u>

On behalf of the Management Board:

Lee V.S.  
Chairman

1 August 2014  
Almaty



Oh Ki Hong  
Managing Director

1 August 2014  
Almaty

Nurgaliyeva A.T.  
Chief Accountant

1 August 2014  
Almaty

Selected explanatory notes on pages 9-44 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY BANK CENTERCREDIT

## SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (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 dated 13 December 2007.

The Bank's primary business consists of commercial banking activities, trading with securities, loans, 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 June 2014 and 31 December 2013, the Bank had 20 branches in the Republic of Kazakhstan.

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 statements:

Name	Country of operation	30 June 2014 (unaudited)	31 December 2013	Type of operation
JSC APF Capital	Republic of Kazakhstan	75.06%	75.06%	Trust management services
LLP Center Leasing	Republic of Kazakhstan	90.75%	90.75%	Finance lease
JSC BCC Invest LLC Bank BCC- Moscow	Republic of Kazakhstan	100%	100%	Brokerage and dealer activity
	Russian Federation	100%	100%	Banking services
LLP BCC-SAOO	Republic of Kazakhstan	100%	100%	Management of distressed assets

As at 30 June 2014 and 31 December 2013 the following ultimate beneficial shareholders owned individually more than 5% of the issued shares of the Group:

	30 June 2014 (unaudited) %	31 December 2013 %
Kookmin Bank	41.93	41.93
Baiseitov B.R.	25.60	25.11
IFC	10.00	10.00
Other (individually hold less than 5%)	22.47	22.96
Total	<u>100.00</u>	<u>100.00</u>

The interim condensed consolidated financial information were authorized for issue by the Management Board of the Group on 1 August 2014.

## 2. BASIS OF PRESENTATION

### *Accounting basis*

The interim condensed consolidated financial information of the Group has been prepared in accordance with 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 2013.

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 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

In preparing this interim condensed consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2013.

### **New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as at 1 January 2014, which are relevant for interim financial reporting.

**Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements.** These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments do not have any effect on the Group's interim condensed consolidated financial information as the Bank is not an investment entity.

**Offsetting Financial Assets and Financial liabilities – Amendments to IAS 32 Financial Instruments: Presentation** (issued in December 2011). These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. There is no effect of these amendments on the interim condensed consolidated financial information as the Group does not have any financial assets and financial liabilities that qualify for offset.

**Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instrument: Recognition and Measurement.** These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that these amendments will have an impact on its interim condensed consolidated financial information as the Group does not apply hedge accounting according to IFRS.

**IFRIC 21 Levies.** IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. There was no effect of the interpretation on interim condensed consolidated financial information

**Recoverable amount disclosures for non-financial assets – Amendments to IAS 36 Impairment of Assets** (issued in May 2013). The amendments remove the requirement to disclose the recoverable amount when a cash generating unit contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments affect disclosures only and do not have any impact of interim condensed consolidated financial statements of the Group as no impairment loss was recognized or reversed during the reporting period.

The above mentioned new or amended standards and interpretations effective from 1 January 2014 did not have a material impact on the accounting policies, financial position or performance of the Group.

#### 4. NET INTEREST INCOME

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>Interest income comprises:</b>				
Interest income on financial assets recorded at amortized cost:				
- interest income on unimpaired assets	8,194	10,975	20,844	20,476
- interest income on impaired assets	13,722	10,209	21,792	19,975
Interest income on financial assets at fair value	<u>1,323</u>	<u>1,189</u>	<u>2,501</u>	<u>2,275</u>
<b>Total interest income</b>	<u>23,239</u>	<u>22,373</u>	<u>45,137</u>	<u>42,726</u>
Interest income on financial assets recorded at amortized cost:				
Interest on loans to customers and banks	20,920	20,563	38,546	39,099
Interest on investments held-to- maturity	239	365	504	823
Penalties on loans to customers and banks	725	187	3,491	376
Interest on due from banks	<u>32</u>	<u>69</u>	<u>95</u>	<u>153</u>
Total interest income on financial assets recorded at amortized cost	<u>21,916</u>	<u>21,184</u>	<u>42,636</u>	<u>40,451</u>
Interest income on financial assets at fair value:				
Interest income on financial assets available-for-sale	776	701	1,505	1,375
Interest income on financial assets initially recognized at fair value through profit or loss	<u>547</u>	<u>488</u>	<u>996</u>	<u>900</u>
Total interest income on financial assets recorded at fair value	<u>1,323</u>	<u>1,189</u>	<u>2,501</u>	<u>2,275</u>
<b>Total interest income</b>	<u>23,239</u>	<u>22,373</u>	<u>45,137</u>	<u>42,726</u>
<b>Interest expense comprises:</b>				
Interest expense on financial liabilities recorded at amortized cost	<u>11,598</u>	<u>12,031</u>	<u>22,625</u>	<u>25,072</u>
<b>Total interest expense</b>	<u>11,598</u>	<u>12,031</u>	<u>22,625</u>	<u>25,072</u>
Interest expense on financial liabilities recorded at amortized cost:				
Interest on customer and banks accounts	7,436	8,349	14,643	17,464
Interest on debt securities issued	329	1,498	951	3,275
Interest on due to banks and financial institutions	2,824	1,458	4,979	3,015
Interest on subordinated bonds	<u>1,009</u>	<u>726</u>	<u>2,052</u>	<u>1,318</u>
Total interest expense on financial liabilities recorded at amortized cost	<u>11,598</u>	<u>12,031</u>	<u>22,625</u>	<u>25,072</u>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<u>11,641</u>	<u>10,342</u>	<u>22,512</u>	<u>17,654</u>

## 5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	Consumer loans	Corporate loans	Credit cards	Total loans to customers (Note 16)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>For three months ended</b>				
<b>30 June 2013 and 2014</b>				
31 March 2013 (unaudited)	18,968	124,076	65	143,109
Additional provision recognized	5,471	4,403	25	9,899
Write-off of assets	(378)	(5,032)	-	(5,410)
Recovery of assets previously written off	929	345	-	1,274
Exchange rate difference	(336)	(272)	-	(608)
<b>30 June 2013 (unaudited)</b>	<b>24,654</b>	<b>123,520</b>	<b>90</b>	<b>148,264</b>
31 March 2014 (unaudited)	57,094	160,056	183	217,333
Additional provision recognized/(recovery of provision)	9,929	(1,412)	(52)	8,465
Unwind of discount*	(1,130)	(3,389)	-	(4,519)
Write-off of assets	(5,567)	(64,511)	-	(70,078)
Recovery of assets previously written off	1	2	-	3
Exchange rate difference	1,223	(1,413)	-	(190)
<b>30 June 2014 (unaudited)</b>	<b>61,550</b>	<b>89,333</b>	<b>131</b>	<b>151,014</b>
	<b>Consumer loans</b>	<b>Corporate loans</b>	<b>Credit cards</b>	<b>Total loans to customers (Note 16)</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>For six months ended</b>				
<b>30 June 2013 and 2014</b>				
31 December 2012	14,290	123,088	42	137,420
Additional provision recognized	10,130	5,371	48	15,549
Write-off of assets	(399)	(5,032)	-	(5,431)
Recovery of assets previously written off	969	347	-	1,316
Exchange rate difference	(336)	(254)	-	(590)
<b>30 June 2013 (unaudited)</b>	<b>24,654</b>	<b>123,520</b>	<b>90</b>	<b>148,264</b>
31 December 2013	42,030	154,989	209	197,228
Additional provision recognized/(recovery of provision)	21,752	(5,053)	(78)	16,621
Unwind of discount*	(1,130)	(3,389)	-	(4,519)
Write-off of assets	(5,567)	(64,511)	-	(70,078)
Recovery of assets previously written off	14	161	-	175
Exchange rate difference	4,451	7,136	-	11,587
<b>30 June 2014 (unaudited)</b>	<b>61,550</b>	<b>89,333</b>	<b>131</b>	<b>151,014</b>

\* Recognized in interest income

During the six months ended 30 June 2014, the Group has written off loans, fully or partially, in the amount of KZT 70,078 million. This write-off was performed following changes introduced to the Tax Code, which allow the write-off of loans without this being considered forgiveness of the loan for tax purposes, and in accordance with Management's plans to reduce the level of non-performing loans in the loan portfolio.

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

	<b>Investments held-to- maturity (Note 15) (unaudited)</b>	<b>Other assets  (Note 17) (unaudited)</b>	<b>Guarantees and letters of credit  (unaudited)</b>	<b>Total  (unaudited)</b>
<b>For three months ended 30 June 2013 and 2014</b>				
31 March 2013 (unaudited)	106	1,223	1,407	2,736
Additional provision recognized	-	656	151	807
Write-off of assets	-	(647)	(6)	(653)
Exchange rate difference	-	94	1	95
<b>30 June 2013 (unaudited)</b>	<b>106</b>	<b>1,326</b>	<b>1,553</b>	<b>2,985</b>
31 March 2014 (unaudited)	-	2,719	3,019	5,738
Additional provision recognized	-	428	1,053	1,481
Write-off of assets	-	(48)	-	(48)
Recovery of assets previously written off	-	1,254	-	1,254
Exchange rate difference	-	396	(473)	(77)
<b>30 June 2014 (unaudited)</b>	<b>-</b>	<b>4,749</b>	<b>3,599</b>	<b>8,348</b>
	<b>Investments held-to- maturity (Note 15) (unaudited)</b>	<b>Other assets  (Note 17) (unaudited)</b>	<b>Guarantees and letters of credit  (unaudited)</b>	<b>Total  (unaudited)</b>
<b>For six months ended 30 June 2013 and 2014</b>				
31 December 2012	106	1,242	1,779	3,127
Additional provision recognized/(recovery of provision)	-	724	(219)	505
Write-off of assets	-	(734)	(6)	(740)
Exchange rate difference	-	94	(1)	93
<b>30 June 2013 (unaudited)</b>	<b>106</b>	<b>1,326</b>	<b>1,553</b>	<b>2,985</b>
31 December 2013	-	1,891	1,780	3,671
Additional provision recognized	-	1,545	1,793	3,338
Write-off of assets	-	(90)	-	(90)
Recovery of assets previously written off	-	1,254	-	1,254
Exchange rate difference	-	149	26	175
<b>30 June 2014 (unaudited)</b>	<b>-</b>	<b>4,749</b>	<b>3,599</b>	<b>8,348</b>



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

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(170)	95	655	167
<b>Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss</b>	<b>(170)</b>	<b>95</b>	<b>655</b>	<b>167</b>
Net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss comprise:				
Realized gain on trading operations	12	5	38	67
Unrealized (loss)/gain on fair value adjustment	(756)	6	(10)	90
Unrealized gain/(loss) on operations with derivative financial instruments	573	28	596	(80)
Realized gain on operations with derivative financial instruments	1	56	31	90
<b>Total net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss</b>	<b>(170)</b>	<b>95</b>	<b>655</b>	<b>167</b>

**7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS**

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Dealing, net	(1,881)	1,211	2,687	1,961
Translation differences, net	2,871	(194)	(953)	(112)
<b>Total net gain on foreign exchange operations</b>	<b>990</b>	<b>1,017</b>	<b>1,734</b>	<b>1,849</b>

## 8. FEE AND COMMISSION INCOME AND EXPENSE

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>Fee and commission income:</b>				
Cash operations	1,381	1,297	2,522	2,307
Settlements	1,224	1,117	2,262	2,061
Guarantees	1,068	1,024	1,853	1,854
Payment cards	1,035	948	1,916	1,771
Foreign exchange operations	269	257	510	463
Custodian activities	234	42	329	87
Internet-banking operations	131	108	253	206
Trust operations	13	625	26	1,452
Other	205	193	389	354
<b>Total fee and commission income</b>	<b>5,560</b>	<b>5,611</b>	<b>10,060</b>	<b>10,555</b>
<b>Fee and commission expense:</b>				
Settlements	265	236	510	439
Custodian activities	232	39	316	73
Documentary operations	19	19	36	33
Purchase and sale of securities	16	23	22	29
Foreign exchange operations	4	1	52	3
Brokerage services	-	18	-	53
Other	27	27	60	61
<b>Total fee and commission expense</b>	<b>563</b>	<b>363</b>	<b>996</b>	<b>691</b>

## 9. OPERATING EXPENSES

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Staff costs	3,133	2,724	5,615	5,346
Depreciation and amortization	853	589	1,356	1,205
Deposit Insurance Fund expenses	564	712	1,195	1,444
Taxes other than income tax	562	625	1,041	1,435
Operating leases expenses	499	804	1,006	1,609
Administrative expenses	410	461	730	802
Security expenses	188	207	336	331
Telecommunications	137	165	257	328
Property and equipment maintenance	74	83	121	125
Advertising costs	47	125	61	191
Other expenses	530	36	880	762
<b>Total operating expenses</b>	<b>6,997</b>	<b>6,531</b>	<b>12,598</b>	<b>13,578</b>

## 10. 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.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2014 and 31 December 2013 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Current income tax expense	-	78	300	39
Adjustments recognised in the period for current tax of prior periods	(935)	-	(935)	(76)
Deferred income tax expense	919	469	919	468
<b>Income tax (benefit)/expense</b>	<u>(16)</u>	<u>547</u>	<u>284</u>	<u>431</u>

The tax rate used for the six months ended 30 June 2014 and the year ended 31 December 2013 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.

During the six months ended 30 June 2014, due to the changes introduced to the Tax Code in relation to deductibility of interest expense, the Group has recalculated corporate income tax return for 2013 year and adjusted income tax expense correspondingly.

	Six months ended 30 June 2014 (unaudited)	Year ended 31 December 2013
<b>Deferred income tax asset</b>		
Beginning of the period	1,132	2,036
Change in deferred tax assets	<u>(919)</u>	<u>(904)</u>
<b>End of the period</b>	<u>213</u>	<u>1,132</u>

## 11. EARNINGS/(LOSS) 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.

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>Basic and diluted earnings/(loss) per share</b>				
Net profit/(loss) attributable to owners of the parent	532	(1,216)	1,158	(780)
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(104)	-	(226)	-
Earnings/(loss) attributable to ordinary shareholders	428	(1,216)	932	(780)
Weighted average number of ordinary shares for purposes of basic earnings per share	162,191,222	162,324,371	162,229,362	162,313,323
Earnings/(loss) per share – basic and diluted (tenge)	2.64	(7.49)	5.75	(4.81)

The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share, provided by KASE.

The book value of one share per each class of shares as at 30 June 2014 and 31 December 2013 is as follows:

Class of shares	30 June 2014 (unaudited)			31 December 2013		
	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	162,205,117	75,346	465	162,288,670	73,334	452
Preference shares	39,249,255	11,775	300	39,249,000	11,775	300
		87,121			85,109	

The management of the Group believes that it fully complies with the requirement of KASE as of the reporting date.

## 12. CASH AND CASH EQUIVALENTS

	30 June 2014 (unaudited)	31 December 2013
Deposits with financial institutions	115,736	104,746
Cash on hand	35,759	32,760
Cash in transit	7,803	4,005
<b>Total cash and cash equivalents</b>	<b>159,298</b>	<b>141,511</b>

As at 30 June 2014, the Group had deposits with NBRK, Citibank, N.Y., Bank of New York Mellon, USA which individually and in the aggregate exceeded 10% of the Group's equity. As at 31 December 2013 the Group had deposits with NBRK, Bank of New York Mellon, USA, Citibank, N.Y., BNP Paribas, France and LBW Stuttgart, Germany which individually and in the aggregate exceeded 10% of the Group's equity.

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

Financial assets at fair value through profit or loss comprise:

	30 June 2014 (unaudited)	31 December 2013
Financial assets held for trading:		
Debt securities	24,650	23,088
Equity securities	617	353
<b>Total financial assets held for trading</b>	<b>25,267</b>	<b>23,441</b>
Derivative financial instruments	4,452	3,812
<b>Total financial assets at fair value through profit or loss</b>	<b>29,719</b>	<b>27,253</b>

	30 June 2014 (unaudited)		31 December 2013	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
<b>Debt securities:</b>				
Russian corporate bonds	7.40-11.50	8,727	7.40-12.25	8,291
Government bonds of the Republic of Kazakhstan	4.80-7.80	8,314	4.80-7.80	8,181
Kazakhstan corporate bonds	5.90-13.00	5,570	5.90-13.00	5,152
Government bonds of the Russian Federation	6.88-8.15	2,039	7.00-8.15	1,464
<b>Total debt securities</b>		<b>24,650</b>		<b>23,088</b>

	30 June 2014 (unaudited)	31 December 2013
<b>Equity securities*:</b>		
Shares of Kazakhstan corporations	615	347
Shares of Russian corporations	2	-
Shares of International corporations	-	6
<b>Total equity securities</b>	<b>617</b>	<b>353</b>

\*Ownership interest in equity securities is below 1%

	Notional Value	30 June 2014 (unaudited) Net fair value		Notional Value	31 December 2013 Net fair value	
		Asset	Liability		Asset	Liability
		<b>Foreign currency contracts:</b>				
Swaps	25,770	4,452	62	28,993	3,804	12
Embedded derivatives	-	-	-	38	8	-
<b>Total derivative financial instruments</b>		<b>4,452</b>	<b>62</b>		<b>3,812</b>	<b>12</b>

The table above shows the fair values 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.

As at 30 June 2014 and 31 December 2013 financial assets at fair value through profit or loss included Government bonds of the Republic of Kazakhstan, Government bonds of Russian Federation and other securities of KZT 14,666 million and KZT 13,551 million, were pledged under repurchase agreements with the other banks (Note 25). All repurchase agreements as at 30 June 2014 mature before 25 July 2014.

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

	30 June 2014 (unaudited)	31 December 2013
Debt securities	50,126	53,729
Equity securities	204	202
<b>Total investments available-for-sale</b>	<u>50,330</u>	<u>53,931</u>

	30 June 2014 (unaudited)		31 December 2013	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	3.10-8.75	34,182	3.10-8.75	36,610
Kazakhstan corporate bonds	5.50-8.50	13,326	4.40-8.50	13,267
Russian corporate bonds	5.25-10.40	2,618	5.25-10.40	3,852
<b>Total debt securities</b>		<u>50,126</u>		<u>53,729</u>

	30 June 2014 (unaudited)		31 December 2013	
	Ownership interest %	Fair value	Ownership interest %	Fair value
<b>Equity securities:</b>				
Kazakhstan corporate shares	0.74-18.4	191	-	202
Shares of international corporations	0.02	13	-	-
<b>Total equity securities</b>		<u>204</u>		<u>202</u>
<b>Total investments available-for-sale</b>		<u>50,330</u>		<u>53,931</u>

As at 30 June 2014 and 31 December 2013 investments available-for-sale included Government bonds of the Republic of Kazakhstan, Russian corporate bonds and other securities of KZT 9,038 million and KZT 25,427 million, were pledged under repurchase agreements with the other banks (Note 25). All repurchase agreements as at 30 June 2014 mature before 22 July 2014.

## 15. INVESTMENTS HELD-TO-MATURITY

	30 June 2014 (unaudited)		31 December 2013	
	Nominal interest rate %	Amount	Nominal interest rate %	Amount
Government bonds of the Republic of Kazakhstan	4.40-8.75	7,745	4.30-8.75	10,558
Kazakhstan corporate bonds	5.89-13.00	3,481	5.41-13.00	3,880
Russian corporate bonds	8.12	301	5.03	1,112
International corporate bonds	-	-	2.82	296
<b>Total investments held-to-maturity</b>		<u>11,527</u>		<u>15,846</u>

Movement in allowances for impairment losses on investments held-to-maturity for the six months ended 30 June 2014 and 2013 is disclosed in Note 5.

As at 30 June 2014 and 31 December 2013 investments held to maturity included Government bonds of the Republic of Kazakhstan and other securities pledged under repurchase agreements with other banks amounting to KZT 1,914 million and KZT 6,931 million, respectively (Note 25). All repurchase agreements as at 30 June 2014 mature before 17 July 2014.

## 16. LOANS TO CUSTOMERS AND BANKS

	30 June 2014 (unaudited)	31 December 2013
Originated loans to customers	888,269	898,987
Net investment in finance lease	5,758	5,616
Accrued interest	61,237	68,263
	<u>955,264</u>	<u>972,866</u>
Less: allowance for impairment losses	(150,984)	(197,214)
<b>Total loans to customers</b>	<u>804,280</u>	<u>775,652</u>
Originated loans to banks	5,719	7,911
Accrued interest	17	19
	<u>(30)</u>	<u>(14)</u>
<b>Total loans to banks and other financial institutions</b>	<u>5,706</u>	<u>7,916</u>
<b>Loans under reverse repurchase agreements</b>	<u>201</u>	<u>327</u>
<b>Total loans to customers and banks</b>	<u>810,187</u>	<u>783,895</u>

Movement in allowances for impairment losses on loans to customers and banks for the six months ended 30 June 2014 and 2013 is disclosed in Note 5.

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

	30 June 2014 (unaudited)	31 December 2013
Loans collateralized by real estate	693,510	714,280
Loans collateralized by goods in turnover	96,054	104,333
Loans collateralized by corporate guarantees	58,817	44,819
Loans collateralized by equipment	45,708	56,176
Loans collateralized by other assets	23,503	16,937
Loans collateralized by cash	13,714	17,237
Unsecured loans	23,958	19,084
	<u>955,264</u>	<u>972,866</u>
Less: allowance for impairment losses	<u>(150,984)</u>	<u>(197,214)</u>
<b>Total loans to customers</b>	<u><u>804,280</u></u>	<u><u>775,652</u></u>

	30 June 2014 (unaudited)	31 December 2013
<b>Analysis by sector:</b>		
Individuals	375,279	358,722
Trading	155,292	165,462
Industrial construction	70,623	63,233
Residential construction	55,426	48,904
Manufacturing	53,948	58,464
Food industry	46,300	51,161
Agriculture	45,402	48,474
Rent of real estate	45,234	55,233
Transportation and equipment maintenance	27,069	27,640
Telecommunications and transport	11,399	13,147
Oil and gas	10,924	21,318
Energy	10,242	10,015
Mass media	1,067	5,303
Other	47,059	45,790
	<u>955,264</u>	<u>972,866</u>
Less: allowance for impairment losses	<u>(150,984)</u>	<u>(197,214)</u>
<b>Total loans to customers</b>	<u><u>804,280</u></u>	<u><u>775,652</u></u>

Loans to individuals comprise the following products:

	30 June 2014 (unaudited)	31 December 2013
Mortgage loans	173,187	167,174
Consumer loans	120,937	113,981
Business development	73,438	69,756
Car loans	7,717	7,811
	<u>375,279</u>	<u>358,722</u>
Less: allowance for impairment losses	<u>(61,055)</u>	<u>(43,441)</u>
<b>Total loans to individuals</b>	<u><u>314,224</u></u>	<u><u>315,281</u></u>

As at 30 June 2014 and 31 December 2013 the Group provided loans to 18 and 15 borrowers totaling



KZT 237,887 million and KZT 208,451 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

As at 30 June 2014 and 31 December 2013, a significant amount of loans (96% and 95% of total portfolio, respectively) is granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 30 June 2014 and 31 December 2013, loans to customers included loans totaling KZT 70,248 million and KZT 79,931 million, respectively, with terms renegotiated. Otherwise these loans would be past due or impaired.

	30 June 2014 (unaudited)		Carrying value	31 December 2013		Carrying Value
	Carrying value before allowance	Allowance for impairment losses		Carrying value before allowance	Allowance for impairment losses	
Loans to customers individually determined to be impaired	268,243	(76,006)	192,237	319,694	(133,056)	186,638
Loans to customers collectively determined to be impaired	185,302	(54,777)	130,525	170,453	(24,497)	145,956
Unimpaired loans	501,719	(20,201)	481,518	482,719	(39,661)	443,058
<b>Total</b>	<u>955,264</u>	<u>(150,984)</u>	<u>804,280</u>	<u>972,866</u>	<u>(197,214)</u>	<u>775,652</u>

As at 30 June 2014 and 31 December 2013, the Group entered as a lessor into finance leasing agreements. The interest rate inherent in leases is fixed at the contract date for all of the lease terms.

The components of net investment in finance lease as at 30 June 2014 and 31 December 2013 are presented as follows:

	30 June 2014 (unaudited)	31 December 2013
Not later than one year	320	1,649
From one year to five years	3,451	1,711
More than five years	<u>6,390</u>	<u>11,163</u>
Minimum lease payments	10,161	14,523
Less: unearned finance income	<u>(4,403)</u>	<u>(8,907)</u>
Net investment in finance lease	<u>5,758</u>	<u>5,616</u>
Current portion	320	1,466
Long-term portion	<u>5,438</u>	<u>4,150</u>
<b>Net investment in finance lease, before allowance for impairment</b>	5,758	5,616
Less: allowance for impairment losses	<u>(97)</u>	<u>(974)</u>
<b>Net investment in finance lease, net of allowance for impairment</b>	<u>5,661</u>	<u>4,642</u>

Fair values of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2014 and 31 December 2013 are presented as follows:

	30 June 2014 (unaudited)		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Kazakhstan corporate bonds	201	216	-	-
NBRK notes	-	-	205	205
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	122	149
<b>Total</b>	<u>201</u>	<u>216</u>	<u>327</u>	<u>354</u>

## 17. OTHER ASSETS

	30 June 2014 (unaudited)	31 December 2013
<b>Other financial assets:</b>		
Receivables	3,711	4,362
Accrued commission	2,929	2,865
Western Union and other wireless transfers	76	80
	<u>6,716</u>	<u>7,307</u>
Less allowances for impairment losses	<u>(3,485)</u>	<u>(1,059)</u>
<b>Total other financial assets</b>	<u>3,231</u>	<u>6,248</u>
<b>Other non-financial assets:</b>		
Non-current assets held for sale	9,350	9,376
Repossessed collateral	7,911	5,837
Advances paid	1,413	836
Tax settlements, other than income tax	1,130	1,086
Inventory	55	134
	<u>19,859</u>	<u>17,269</u>
Less allowances for impairment losses relating to assets held for sale	<u>(1,264)</u>	<u>(832)</u>
<b>Total other non-financial assets</b>	<u>18,595</u>	<u>16,437</u>
<b>Total other assets</b>	<u>21,826</u>	<u>22,685</u>

Movement in allowances for impairment losses on other assets for the six months ended 30 June 2014 and 2013 is disclosed in Note 5.

As at 30 June 2014 and 31 December 2013 non-current assets held for sale are represented by assets foreclosed by the Group from non-performing borrowers. These assets have been initially recognized at fair value and subsequently measured at the lower of fair value less cost to dispose or the carrying value, as the appropriate level of management has committed to a plan to sell the assets and an active program to locate a buyer and complete the sale plan has been initiated. The Group expects to dispose of these assets within a year. The Group does not occupy repossessed properties for business use.

Repossessed collateral represents real estate accepted by the Group from the non-performing borrowers. These assets have been initially recognized at fair value and subsequently measured at the lower of fair value less cost to dispose or the carrying value. As at 30 June 2014, the Management have not decided yet on whether the repossessed collateral will be sold or used as property and equipment.

## 18. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Interest rate, %	30 June 2014 (unaudited)	31 December 2013
Loans due to Government of the Republic of Kazakhstan and NBRK	5.50	80,156	165
Long-term loans due to banks and financial institutions	1.08-7.90	39,455	23,455
Perpetual debt	9.13	13,808	11,941
Subordinated loan	LIBOR+4.5- LIBOR+6.5	4,550	3,834
Short-term loans due to banks and financial institutions	3.71-6.50	4,450	6,454
Loans due to international credit organizations	0.06 - 5.53	432	453
Correspondent accounts of banks	-	406	526
Accrued interest		2,866	837
		<u>146,123</u>	<u>47,665</u>
Loans under repurchase agreements		<u>22,522</u>	<u>41,771</u>
<b>Total due to banks and financial institutions</b>		<u><u>168,645</u></u>	<u><u>89,436</u></u>

In February 2014 the Group received a loan from NBRK in the amount of KZT 80,000 million at 5.5% p.a. with the maturity of one year.

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 and 3 September in each year. Interest and principal on loans due to banks are repayable either quarterly, semiannually or at the end of the term, depending on the agreed repayment schedule.

Interest on the subordinated loan is repayable semiannually, and principal is repayable at the end of the term in 2014 and 2019.

During the six months ended 30 June 2014 the Group has received long term loans from JSC Development Bank of Kazakhstan in the amount of KZT 11,000 million at 7.90% p.a. maturing in 2019.

During the six months ended 30 June 2014 the Group has received a long term loan from JSC Entrepreneurship Development Fund DAMU ("DAMU") in the amount of KZT 8,000 million at 2.00% p.a. maturing in 2034 with the possibility of early recall. The loan was received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") of certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, at 6% with the maturity not exceeding 10 years. The Group's obligation to repay the loan to DAMU is not contingent on collectability of the loans extended to SME borrowers. The Group is obligated to pay 5% penalty on the amounts not extended to SME borrowers within 6 months after receiving the money from DAMU. The Management of the Group believes that there are no other similar financial instruments and due to specific nature of SME clients, this product represents separate market. As a result, the loan from DAMU was received in an orderly transaction and as such has been recorded at fair value at the recognition date.

In the event of bankruptcy or liquidation of the Group, repayment of all subordinated debt is subordinate to the repayments of the Group's liabilities to all other creditors.

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

other financial performance ratios. The Group has not breached any of these covenants during the period of the six months ended 30 June 2014 and year ended 31 December 2013.

As at 30 June 2014, the Group had long-term loans received from JSC Entrepreneurship Development Fund DAMU and National Bank of the Republic of Kazakhstan that individually and in aggregate exceeded 10% of the Group's equity. As at 31 December 2013, the Group had long-term loans received from JSC Entrepreneurship Development Fund DAMU that individually and in aggregate exceeded 10% of the Group's equity.

As at 30 June 2014 and 31 December 2013 included in deposits by banks are loans under repurchase agreements of KZT 22,522 million and KZT 41,771 million that were settled before 25 July 2014 and before 22 January 2014, respectively.

As at 30 June 2014 and 31 December 2013 fair value of assets pledged and carrying value of loans under repurchase agreements are presented as follows:

	30 June 2014 (unaudited)		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Corporate bonds	17,008	19,916	6,122	6,222
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3,317	3,654	34,288	37,946
Government bonds of Russian Federation	2,028	1,975	1,361	1,361
Shares of Kazakhstan corporations	169	73	-	-
<b>Total</b>	<u>22,522</u>	<u>25,618</u>	<u>41,771</u>	<u>45,529</u>

## 19. CUSTOMER AND BANKS ACCOUNTS

	30 June 2014 (unaudited)	31 December 2013
<b>Recorded at amortized cost:</b>		
Customer accounts	794,275	796,131
Banks accounts	5,976	3,106
	<u>800,251</u>	<u>799,237</u>
Accrued interest	3,890	7,316
<b>Total customer and banks accounts</b>	<u>804,141</u>	<u>806,553</u>
	30 June 2014 (unaudited)	31 December 2013
Time deposits	535,454	543,953
Demand deposits	258,821	252,178
	<u>794,275</u>	<u>796,131</u>
Accrued interest	3,768	7,291
<b>Total customer accounts</b>	<u>798,043</u>	<u>803,422</u>

As at 30 June 2014 and 31 December 2013, customer accounts totaling KZT 106,967 million and KZT 123,795 million were due to five and four customers, respectively. This represents a significant concentration.

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Analysis by sector:</b>		
Individuals	331,158	331,387
Social services	138,269	147,325
Real estate construction	66,892	75,646
Education and health care	46,309	25,275
Trade	41,035	44,781
Oil and gas	39,783	20,153
Energy	16,623	9,911
Transportation and communication	13,247	17,040
Manufacturing	11,454	13,219
Metallurgy	11,149	2,517
Insurance companies and pension funds	10,956	54,893
Agriculture	9,421	4,032
Research and engineering	8,610	8,557
Entertainment services	5,036	3,792
Chemical production	3,903	2,599
Machinery	3,881	2,790
Fuel	2,779	3,864
Other	37,538	35,641
<b>Total customer accounts</b>	<b>798,043</b>	<b>803,422</b>

Banks accounts as at 30 June 2014 and 31 December 2013 comprised the following:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Time deposits	5,971	3,100
Demand deposits	5	6
	5,976	3,106
Accrued interest	122	25
<b>Total banks accounts</b>	<b>6,098</b>	<b>3,131</b>

## 20. DEBT SECURITIES ISSUED

	CCY	Issue date	Maturity date	Annual coupon rate %	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Kazakhstan bonds	KZT	29/12/2004- 27/11/2009	29/12/2014- 27/12/2015	6.40-8.00	9,742	9,729
International bonds	USD	30/01/2007	30/01/2014	8.63	-	37,821
					9,742	47,550
Accrued interest					107	1,495
<b>Total debt securities issued</b>					<b>9,849</b>	<b>49,045</b>

On 30 January 2014 the Group repaid its US dollar denominated International bonds with par value of KZT 38,169 million.

The Group is obligated to comply with financial covenants in relation to debt securities issued. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios.

As at 30 June 2014 and 31 December 2013, the Group has not breached any of these covenants. Interest on debt securities issued is repayable semiannually.

## 21. SHARE CAPITAL

As at 30 June 2014, 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)	(251,683)	162,205,117
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2013 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)	(168,130)	162,288,670
Preference shares	39,249,255	-	(255)	39,249,000

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 are payable on ordinary shares 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 are made on the basis of financial results for the year.

Preference shares have no voting rights and are not redeemable. Preference shares have a right to receive dividends prior to common stockholders. Conversion of preferred shares is performed based on the decision of the Board of Directors. Preference shares would receive dividends in amount of KZT 0.01 per share.

	Six months ended 30 June 2014 (unaudited) Quantity	Year ended 31 December 2013 Quantity
<b>Preference shares, beginning of the period</b>	39,249	39,249
Preference shares issued	-	-
<b>Preference shares, end of the period</b>	<u>39,249</u>	<u>39,249</u>
<b>Ordinary shares, beginning of the period</b>	162,289	162,155
Treasury shares repurchased	(272)	(410)
Treasury shares sold	188	544
<b>Ordinary shares, end of the period</b>	<u>162,205</u>	<u>162,289</u>

## 22. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim condensed consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 30 June 2014 and 31 December 2013, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2014 (unaudited)		31 December 2013	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
<b>Contingent liabilities and credit commitments:</b>				
Guarantees issued and similar commitments	118,216	110,708	90,987	86,101
Letters of credit and other transaction related contingent obligations	<u>3,428</u>	<u>677</u>	<u>3,743</u>	<u>749</u>
<b>Total contingent liabilities and credit commitments</b>	<u>121,644</u>	<u>111,385</u>	<u>94,730</u>	<u>86,850</u>

The table below summarizes the amounts of guarantees and similar commitments secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2014 (unaudited)	31 December 2013
Receivables	46,544	39,048
Real estate	14,148	8,636
Movables	9,695	9,285
Corporate guarantees	8,474	8,443
Cash deposits	7,508	3,106
Goods in turnover	1,344	391
Land	800	1,720
Other	213	33
Unsecured guarantees	<u>29,490</u>	<u>20,325</u>
Total	<u>118,216</u>	<u>90,987</u>

The table below summarizes the amounts of letters of credit and other transactions related to contingent obligations secured by type of collateral, rather than the fair value of the collateral itself:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Real estate	1,183	99
Unsecured letters of credit	934	401
Goods in turnover	677	2
Cash deposits	42	2,687
Receivables	10	188
Other	582	366
	<hr/>	<hr/>
Total	<u>3,428</u>	<u>3,743</u>

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and is dependent on borrowers' financial performance, debt service and other conditions.

### **Capital commitments**

As at 30 June 2014 and 31 December 2013, the Group had no material commitments for capital expenditures outstanding.

### **Operating lease commitments**

As at 30 June 2014 and 31 December 2013 there was no material operating lease commitments under non-cancelable operating leases outstanding.

### **Fiduciary activities**

In the normal course of its business, the Group enters into agreements with limited right of decision making with clients for management of their assets in accordance with specific criteria established by the client. The Group may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The balance of the clients' funds under the management of the Group as at 30 June 2014 and 31 December 2013, including assets under trusteeship are KZT 235,644 million and KZT 189,293 million, respectively.

Managed assets are not included in the interim condensed consolidated statement of financial position of the Group, as these assets are not assets of the Group. The face value of the securities presented below differs from the market value of the indicated securities.

### **Legal proceedings**

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material losses will be incurred and respectively no provision has been made in this interim condensed consolidated financial information.

### **Taxation**

Commercial legislation of the Republic of Kazakhstan and countries where the Group operates, including tax legislation, 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 condensed consolidated financial statements.

### **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 June 2014 and 31 December 2013, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

### **Operating environment**

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly, tax and regulatory framework are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

## **23. TRANSACTIONS WITH RELATED PARTIES**

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Related party balances</b>	<b>Total category as per financial statements caption</b>	<b>Related party balances</b>	<b>Total category as per financial statements caption</b>
<b>Cash and cash equivalents</b>	158	159,298	100	141,511
- shareholder	158		100	
<b>Due from banks</b>	1	7,453	-	3,994
- shareholder	1		-	
<b>Loans to customers and banks</b>	299	961,201	342	981,123
- key management personnel of the entity or its parent	197		201	
- close family members of key management personnel	102		141	
<b>Allowance for impairment losses on loans to customers and banks</b>	(7)	(151,014)	(57)	(197,228)

	30 June 2014 (unaudited)		31 December 2013	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
- key management personnel of the entity or its parent	(6)		(35)	
- close family members of key management personnel	(1)		(22)	
<b>Customer and banks accounts</b>	22,145	804,141	15,113	806,553
- key management personnel of the entity or its parent	15,848		12,431	
- close family members of key management personnel	6,297		2,682	

Secured and unsecured loans and guarantees are made to key management personnel of the entity and shareholders in the ordinary course of business. These loans are made on substantially the same terms, including interest rates, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavorable features.

Amounts deposited by the parent and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

Included in the interim condensed consolidated income statement for the six months ended 30 June 2014 and 2013 are the following amounts which arose due to transactions with related parties:

	Three months ended 30 June 2014 (unaudited)		Three months ended 30 June 2013 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Interest income</b>	-	23,239	3	22,373
- close family members of key management personnel	-		3	
<b>Interest expense</b>	(386)	(11,598)	(248)	(12,031)
- key management personnel of the entity or its parent	(286)		(135)	
- close family members of key management personnel	(100)		(113)	
<b>Operating expenses</b>	(37)	(6,997)	(59)	(6,531)
- key management personnel of the entity or its parent	(37)		(59)	

	Six months ended 30 June 2014 (unaudited)		Six months ended 30 June 2013 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Interest income</b>	2	45,137	5	42,726
- key management personnel of the entity or its parent	1		-	
- close family members of key management personnel	1		5	
<b>Interest expense</b>	(652)	(22,625)	(412)	(25,072)
- key management personnel of the entity or its parent	(494)		(234)	
- close family members of key management personnel	(158)		(178)	
<b>Operating expenses</b>	(83)	(12,598)	(110)	(13,578)
- key management personnel of the entity or its parent	(83)		(110)	

Key management personnel compensation for the six months ended 30 June 2014 and 2013 is presented by short-term employee benefits.

## 24. SEGMENT REPORTING

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8 and in accordance with the segment reporting presented in the consolidated financial statements for the year ended 31 December 2013.

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Investment banking	Unallocated	Six months ended 30 June 2014* (unaudited)
Interest income	24,895	17,655	2,472	292	45,314
Interest expense	(7,803)	(6,478)	(9,369)	-	(23,650)
Provision for impairment losses on interest bearing assets	(21,674)	5,053	-	-	(16,621)
Net non-interest income	2,232	3,767	1,290	1,736	9,025
Operating expenses	<u>(6,150)</u>	<u>(6,247)</u>	<u>(201)</u>	<u>-</u>	<u>(12,598)</u>
<b>Operating (loss)/profit before income tax</b>	<u>(8,500)</u>	<u>13,750</u>	<u>(5,808)</u>	<u>2,028</u>	<u>1,470</u>
Segment assets**	<u>313,397</u>	<u>721,881</u>	<u>100,476</u>	<u>-</u>	<u>1,135,754</u>
Segment liabilities	<u>328,776</u>	<u>544,277</u>	<u>176,324</u>	<u>-</u>	<u>1,049,377</u>
<b>Other segment items</b>					
Depreciation charge on property, equipment and intangible assets	(662)	(672)	(22)	-	(1,356)
Loans to customers and banks	313,021	497,166	-	-	810,187
Customer and banks accounts	331,158	472,983	-	-	804,141
Financial guarantees and commitments	-	121,644	-	-	121,644

\*- In order to reconcile to the amounts presented in the interim condensed consolidated income statement, interest income and interest expense include non-eliminated intercompany transactions in the amount of KZT 177 million and KZT (177) million. Also interest expense and net non-interest income include non-eliminated intercompany transactions in the amount of KZT 848 million and KZT (848) million.

\*\* - net of income tax assets

	Retail banking	Corporate banking	Investment banking	Six months ended 30 June 2013* (unaudited)
Interest income	17,209	23,761	1,927	42,897
Interest expense	(11,355)	(13,398)	(490)	(25,243)
Provision for impairment losses on interest bearing assets	(10,178)	(5,371)	-	(15,549)
Net non-interest income	2,428	7,794	1,091	11,313
Operating expenses	(5,780)	(7,074)	(724)	(13,578)
<b>Operating (loss)/profit before income tax</b>	<b>(7,676)</b>	<b>5,712</b>	<b>1,804</b>	<b>(160)</b>
Segment assets**	305,584	686,434	104,803	1,096,821
Segment liabilities	344,214	547,244	123,167	1,014,625
<b>Other segment items</b>				
Depreciation charge on property, equipment and intangible assets	(94)	(1,093)	(18)	(1,205)
Loans to customers and banks	308,892	482,105	-	790,997
Customer and banks accounts	379,526	462,703	-	842,229
Financial guarantees and commitments	-	102,838	-	102,838

\*- In order to reconcile to the amounts presented in the interim condensed consolidated income statement, interest income and interest expense include non-eliminated intercompany transactions in the amount of KZT 171 million and KZT (171) million.

\*\*- net of income tax assets

### Geographical segments

	Kazakhstan	Other non-OECD countries	OECD Countries	As at and for the six months ended 30 June 2014 (unaudited)
Interest income	43,590	1,547	-	45,137
Interest expense	(21,899)	(726)	-	(22,625)
Segment assets*	1,108,481	27,273	-	1,135,754
Segment liabilities	1,025,264	24,113	-	1,049,377
Contingent liabilities	121,644	-	-	121,644
Capital expenditures	1,064	-	-	1,064

\*- net of current and deferred income tax assets

	Kazakhstan	Other non-OECD countries	OECD countries	As at and for the six months ended 30 June 2013 (unaudited)
Interest income	41,095	1,631	-	42,726
Interest expense	(24,329)	(743)	-	(25,072)
Segment assets*	1,064,766	32,041	14	1,096,821
Segment liabilities	986,847	27,774	4	1,014,625
Contingent liabilities	102,838	-	-	102,838
Capital expenditures	1,691	-	-	1,691

\*- net of current income tax assets

Interest income, interest expenses, segment assets and segment liabilities, contingent liabilities and capital expenditure have generally been allocated based on domicile of the counterparty. Tangible assets (cash on hand, precious metals, premises and equipment) have been allocated based on the country in which they are physically held.

## 25. TRANSFERRED FINANCIAL ASSETS

### Transfers that did not qualify for derecognition of the financial asset in its entirety

#### *Securities lending and repurchase agreements*

The Group enters into repo and reverse repo transactions on a regular basis. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These transactions are conducted under KASE terms. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The Group may sell or repledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Group, which instead recognises a separate asset for any cash collateral provided.

Details of transferred financial assets that are not derecognised in their entirety as at 30 June 2014 are disclosed below:

	Financial assets at fair value through profit or loss (Note 13)	Investments available-for- sale (Note 14)	Investments held-to- maturity (Note 15)	Total
Total carrying amount of the original assets before the transfer	14,666	9,038	1,914	25,618
<b>As at 30 June 2014:</b>				
Carrying amount of assets	14,666	9,038	1,914	25,618
Carrying amount of associated liabilities (Loans under repurchase agreements)	13,040	7,677	1,805	22,522
<b>As at 31 December 2013:</b>				
Carrying amount of assets	13,551	25,427	6,551	45,529
Carrying amount of associated liabilities (Loans under repurchase agreements)	12,093	23,573	6,105	41,771

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobserv- able input(s)	Relationship of unobservable inputs to fair value
	30 June 2014 (unaudited)	31 December 2013				
Non-derivative financial assets at fair value through profit or loss- debt securities (Note 13)	24,650	23,088	Level 1	Quoted bid prices in an active market.	N/A	N/A
Non-derivative financial assets at fair value through profit or loss- equity securities (Note 13)	617	353	Level 1	Quoted bid prices in an active market.	N/A	N/A
Non-derivative investments available-for-sale- debt securities (Note 14)	50,126	53,729	Level 1	Quoted bid prices in an active market.	N/A	N/A
Derivative financial assets (Note 13)	4,452	3,812	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	N/A	N/A
5) Derivative financial liabilities (see Note 13)	62	12	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	N/A	N/A

There were no transfers between Level 1 and 2 in the period.

As at 30 June 2014 and 31 December 2013, equity securities included in investments available for sale amounted to KZT 204 million and KZT 202 million, respectively, are carried at cost because it is practically difficult to quantify the intrinsic value of the equity securities issued by unlisted entities. In addition, probabilities and range of estimated cash flows of the unlisted equity securities cannot be reasonably assessed.

**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

Except as detailed below, management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value (the fair value of which varies from carrying value within the range of 5%):

	30 June 2014 (unaudited)		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Loans to customers and banks	810,187	697,401	783,895	662,872
Subordinated bonds	53,908	50,385	53,034	49,583

The carrying amount of cash and cash equivalents, due from banks, other financial assets and other financial liabilities approximates fair value due to short-term nature of such financial assets.

	30 June 2014			Total
	Level 1	Level 2	Level 3	
Loans to customers and banks	-	-	697,431	697,431
Subordinated bonds	50,385	-	-	50,385

Fair value of subordinated bonds was calculated based on quoted market prices.

Fair value of loans to customers and banks was determined on the basis of contractual cash flows discounted at market rates, published by NBRK and prevailed at the year end and adjusted for credit risk of counterparties.

## 27. REGULATORY MATTERS

The following table analyses the Group's regulatory capital resources for capital adequacy purposes:

Composition of regulatory capital	30 June 2014	31 December 2013
	(unaudited)	
<b>Tier 1</b>		
Share capital	69,819	69,826
Retained earnings	17,235	16,077
Non-controlling interest	1,227	1,550
Total qualifying tier 1 capital	<u>88,281</u>	<u>87,453</u>
<b>Tier 2</b>		
Subordinated debt	44,141	43,727
Perpetual debt	13,808	11,941
Other reserves	491	(583)
Total qualifying tier 2 capital	<u>58,440</u>	<u>55,085</u>
Total regulatory capital	<u>146,721</u>	<u>142,538</u>
Risk weighted assets	<u>955,385</u>	<u>893,368</u>
Tier 1 capital ratio	<u>9.24%</u>	<u>9.79%</u>
Total capital adequacy ratio	<u>15.36%</u>	<u>15.96%</u>

Quantitative measures established by the Basel Committee to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total capital adequacy (8%) and tier 1 capital (4%) to risk weighted assets.



## 28. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. There have been no changes in risk management policies since year ended 31 December 2013.

### Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non-OECD countries	OECD countries	30 June 2014 Total (unaudited)
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	114,532	3,232	41,534	159,298
Obligatory reserves	20,022	459	-	20,481
Financial assets at fair value through profit or loss	14,499	10,768	4,452	29,719
Investments available-for-sale	47,699	2,618	13	50,330
Investments held-to-maturity	11,226	-	301	11,527
Due from banks	5,997	-	1,456	7,453
Loans to customers and banks	776,589	33,580	18	810,187
Other financial assets	2,062	1,169	-	3,231
<b>TOTAL FINANCIAL ASSETS</b>	<b>992,626</b>	<b>18,264</b>	<b>81,336</b>	<b>1,092,226</b>
<b>FINANCIAL LIABILITIES</b>				
Due to banks and financial institutions	146,840	12,190	9,615	168,645
Customer and banks accounts	797,348	6,793	-	804,141
Debt securities issued	9,849	-	-	9,849
Subordinated bonds	53,908	-	-	53,908
Other financial liabilities	10,955	144	-	11,099
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,018,900</b>	<b>19,127</b>	<b>9,615</b>	<b>1,047,642</b>
<b>NET POSITION</b>	<b>(26,274)</b>	<b>(863)</b>	<b>71,721</b>	
	<b>Kazakhstan</b>	<b>Other non-OECD countries</b>	<b>OECD Countries</b>	<b>31 December 2013 Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	53,779	3,862	83,870	141,511
Obligatory reserves	16,170	475	-	16,645
Financial assets at fair value through profit or loss	13,688	9,757	3,808	27,253
Investments available-for-sale	50,079	3,852	-	53,931
Investments held to maturity	14,438	1,112	296	15,846
Due from banks	2,833	-	1,161	3,994
Loans to customers and banks	746,032	37,774	89	783,895
Other financial assets	5,282	966	-	6,248
<b>Total financial assets</b>	<b>902,301</b>	<b>57,798</b>	<b>89,224</b>	<b>1,049,323</b>
<b>Financial liabilities</b>				
Due to banks and financial institutions	67,010	13,713	8,713	89,436
Customer and banks accounts	800,593	5,960	-	806,553
Debt securities issued	49,045	-	-	49,045
Subordinated bonds	53,034	-	-	53,034
Other financial liabilities	6,743	49	-	6,792
<b>Total financial liabilities</b>	<b>976,425</b>	<b>19,722</b>	<b>8,713</b>	<b>1,004,860</b>
<b>Net position</b>	<b>(74,124)</b>	<b>38,076</b>	<b>80,511</b>	

## Liquidity risk

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the statement of financial position date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

Investments available-for-sale and financial assets at fair value through profit or loss are classified into “up to 1 month” category. Although investments held to maturity are grouped on the basis of the remaining period from the reporting date to their maturity date, in case of liquidity crisis the Group can immediately realise short-term Treasury Notes of the Republic of Kazakhstan that are classified as investments held to maturity.

	Weighted average effective interest rate	On demand and up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	30 June 2014 (unaudited) Total
<b>Financial assets</b>							
Cash and cash equivalents	1.08%	1,835	3,736	-	-	-	5,571
Financial assets at fair value through profit or loss	7.45%	29,102	-	-	-	-	29,102
Investments available-for-sale	4.35%	50,126	-	-	-	-	50,126
Investments held to maturity	7.62%	103	24	7,870	2,456	1,074	11,527
Due from banks	0.15%	1,360	-	540	-	-	1,900
Loans to customers and banks	8.97%	120,852	52,904	160,456	301,909	174,066	810,187
<b>Total interest bearing financial assets</b>		203,378	56,664	168,866	304,365	175,140	908,413
Cash and cash equivalents		153,727	-	-	-	-	153,727
Obligatory reserves		20,481	-	-	-	-	20,481
Financial assets at fair value through profit or loss		617	-	-	-	-	617
Investments available-for-sale		204	-	-	-	-	204
Due from banks		913	-	-	-	4,640	5,553
Other financial assets		3,231	-	-	-	-	3,231
<b>Total financial assets</b>		382,551	56,664	168,866	304,365	179,780	1,092,226
<b>Financial liabilities</b>							
Due to banks and financial institutions	5.01%	25,831	644	81,728	49,607	10,344	168,154
Customer and banks accounts	5.25%	57,455	22,127	397,911	68,676	1,791	547,960
Debt securities issued	6.71%	-	92	3,304	6,453	-	9,849
Subordinated bonds	7.42%	-	48	2,349	22,863	28,648	53,908
<b>Total interest bearing financial liabilities</b>		83,286	22,911	485,292	147,599	40,783	779,871
Due to banks and financial institutions		491	-	-	-	-	491
Customer and banks accounts		252,080	1,101	3,000	-	-	256,181
Other financial liabilities		11,099	-	-	-	-	11,099
<b>Total financial liabilities</b>		346,956	24,012	488,292	147,599	40,783	1,047,642
Liquidity gap		35,595	32,652	(319,426)	156,766	138,997	
Interest sensitivity gap		120,092	33,753	(316,426)	156,766	134,357	
<b>Cumulative interest sensitivity gap</b>		120,092	153,845	(162,581)	(5,815)	128,542	
<b>Cumulative interest sensitivity gap as a percentage of total financial assets</b>		11.00%	14.09%	(14.89%)	(0.53%)	11.77%	

	Weighted average effective interest rate	On demand and up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2013 Total
<b>Financial assets</b>							
Cash and cash equivalents	0.38%	58,125	10,360	-	-	-	68,485
Financial assets at fair value through profit or loss	7.25%	26,900	-	-	-	-	26,900
Investments available-for-sale	4.17%	53,729	-	-	-	-	53,729
Investments held-to-maturity	6.18%	273	3,855	1,291	9,291	1,136	15,846
Due from banks	4.78%	1,082	486	1,179	-	-	2,747
Loans to customers and banks	8.95%	161,283	48,757	144,862	260,648	168,345	783,895
<b>Total interest bearing financial assets</b>		<b>301,392</b>	<b>63,458</b>	<b>147,332</b>	<b>269,939</b>	<b>169,481</b>	<b>951,602</b>
Cash and cash equivalents		73,026	-	-	-	-	73,026
Obligatory reserves		16,645	-	-	-	-	16,645
Financial assets at fair value through profit or loss		353	-	-	-	-	353
Investments available-for-sale		202	-	-	-	-	202
Due from banks		1,247	-	-	-	-	1,247
Other financial assets		6,248	-	-	-	-	6,248
<b>Total financial assets</b>		<b>399,113</b>	<b>63,458</b>	<b>147,332</b>	<b>269,939</b>	<b>169,481</b>	<b>1,049,323</b>
<b>Financial liabilities</b>							
Due to banks and financial institutions	3.24%	48,749	3,578	4,158	31,708	717	88,910
Customer and banks accounts	4.62%	66,389	49,236	230,680	208,529	1,791	556,625
Debt securities issued	8.29%	39,181	115	3,320	6,429	-	49,045
Subordinated bonds	7.82%	-	59	429	24,789	27,757	53,034
<b>Total interest bearing financial liabilities</b>		<b>154,319</b>	<b>52,988</b>	<b>238,587</b>	<b>271,455</b>	<b>30,265</b>	<b>747,614</b>
Due to banks and financial institutions		526	-	-	-	-	526
Customer and banks accounts		249,928	-	-	-	-	249,928
Other financial liabilities		6,792	-	-	-	-	6,792
<b>Total financial liabilities</b>		<b>411,565</b>	<b>52,988</b>	<b>238,587</b>	<b>271,455</b>	<b>30,265</b>	<b>1,004,860</b>
Liquidity gap		(12,452)	10,470	(91,255)	(1,516)	139,216	
Interest sensitivity gap		147,073	10,470	(91,255)	(1,516)	139,216	
<b>Cumulative interest sensitivity gap</b>		<b>147,073</b>	<b>157,543</b>	<b>66,288</b>	<b>64,772</b>	<b>203,988</b>	
<b>Cumulative interest sensitivity gap as a percentage of total financial assets</b>		<b>14.02%</b>	<b>15.01%</b>	<b>6.32%</b>	<b>6.17%</b>	<b>19.44%</b>	

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over. Management is confident that the Group will be able to obtain required funds in order to replace attracted liabilities with duration up to twelve months. In particular, management believe that the continued support of its shareholders and access to borrowings from international financial institutions means that the Group would be able to obtain appropriate resources.

### Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed for the six months ended 30 June 2014 since year ended 31 December 2013.

## Interest rate risk

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

## Currency risk

The Group's exposure to foreign currency exchange rate risk as at 30 June 2014 is presented in the tables below:

	KZT	USD 1 USD = 183.52 KZT	EUR 1 EUR = 250.60 KZT	Other currency	30 June 2014 Total (unaudited)
<b>Financial assets</b>					
Cash and cash equivalents	44,750	104,089	8,847	1,612	159,298
Obligatory reserves	17,822	2,197	1	461	20,481
Financial assets at fair value through profit or loss	14,289	4,660	-	10,770	29,719
Investments available-for-sale	42,342	7,656	13	319	50,330
Investments held-to-maturity	9,507	2,020	-	-	11,527
Due from banks	5,183	2,269	1	-	7,453
Loans to customers and banks	655,721	141,347	3,398	9,721	810,187
Other financial assets	3,133	7	42	49	3,231
<b>Total financial assets</b>	<u>792,747</u>	<u>264,245</u>	<u>12,302</u>	<u>22,932</u>	<u>1,092,226</u>
<b>Financial liabilities</b>					
Due to banks and financial institutions	131,483	22,323	4,342	10,497	168,645
Customer and banks accounts	540,912	247,081	11,264	4,884	804,141
Debt securities issued	9,849	-	-	-	9,849
Subordinated bonds	53,908	-	-	-	53,908
Other financial liabilities	9,417	1,239	237	206	11,099
<b>Total financial liabilities</b>	<u>745,569</u>	<u>270,643</u>	<u>15,843</u>	<u>15,587</u>	<u>1,047,642</u>
<b>OPEN POSITION</b>	<u>47,178</u>	<u>(6,398)</u>	<u>(3,541)</u>	<u>7,345</u>	

## Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented below and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 30 June 2014:

	KZT	USD 1 USD = 183.52 KZT	EUR 1 EUR = 250.6 KZT	Other currency	30 June 2014 (unaudited)
Accounts receivable on spot and derivative contracts	-	15,019	627	10,951	26,597
Accounts payable on spot and derivative contracts	(17)	(10,615)	-	(11,119)	(21,751)
<b>Net spot and derivative financial instruments position</b>	<b>(17)</b>	<b>4,404</b>	<b>627</b>	<b>(168)</b>	<b>4,846</b>
<b>Total open position</b>	<b>47,161</b>	<b>(1,994)</b>	<b>(2,914)</b>	<b>7,177</b>	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2013 is presented in the tables below:

	KZT	USD 1 USD = 154.06 KZT	EUR 1 EUR = 212.02 KZT	Other currencies	31 December 2013 Total
<b>Financial assets</b>					
Cash and cash equivalents	32,086	98,395	8,563	2,467	141,511
Obligatory reserves	16,170	-	-	475	16,645
Financial assets at fair value through profit or loss	13,510	3,984	-	9,759	27,253
Investments available-for-sale	44,596	9,068	-	267	53,931
Investments held to maturity	12,972	1,762	1,112	-	15,846
Due from banks	1,670	2,321	3	-	3,994
Loans to customers and banks	651,493	118,847	2,893	10,662	783,895
Other financial assets	4,077	2,072	38	61	6,248
<b>Total financial assets</b>	<b>776,574</b>	<b>236,449</b>	<b>12,609</b>	<b>23,691</b>	<b>1,049,323</b>
<b>Financial liabilities</b>					
Due to banks and financial institutions	53,819	21,358	3,975	10,284	89,436
Customer and banks accounts	611,120	178,526	10,445	6,462	806,553
Debt securities issued	9,864	39,181	-	-	49,045
Other financial liabilities	5,569	932	54	237	6,792
Subordinated bonds	53,034	-	-	-	53,034
<b>Total financial liabilities</b>	<b>733,406</b>	<b>239,997</b>	<b>14,474</b>	<b>16,983</b>	<b>1,004,860</b>
<b>Open position</b>	<b>43,168</b>	<b>(3,548)</b>	<b>(1,865)</b>	<b>6,708</b>	

### Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2013:

	KZT	USD 1 USD = 154.06 KZT	EUR 1 EUR = 212.02 KZT	Other currencies	31 December 2013 Total
Accounts receivable on spot and derivative contracts	-	15,936	2,862	10,195	28,993
Accounts payable on spot and derivative contracts	(2,839)	(8,990)	(497)	(16,667)	(28,993)
<b>Net spot and derivative financial instruments position</b>	<u>(2,839)</u>	<u>6,946</u>	<u>2,365</u>	<u>(6,472)</u>	<u>-</u>
<b>Total open position</b>	<u>40,329</u>	<u>3,398</u>	<u>500</u>	<u>236</u>	

### 29. SUBSEQUENT EVENTS

On 24 July 2014 Management of the Bank approved the decision to liquidate the subsidiary of the Bank, LLP "Center Leasing".