

**JOINT STOCK COMPANY
KAZKOMMERTSBANK**

**Condensed Interim Consolidated
Financial Information (Unaudited)**
For the nine months ended 30 September 2012

JOINT STOCK COMPANY KAZKOMMERTSBANK

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JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

Management is responsible for the preparation of the condensed interim consolidated financial information that presents fairly the consolidated financial position of Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 30 September 2012 and the results of its operations for the three and the nine month period then ended, as well as cash flows and changes in equity for the nine month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the condensed interim 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 IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's 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 consolidated financial position of the Group, and which enable them to ensure that the condensed interim consolidated financial information of the Group complies with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- 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 condensed interim consolidated financial information of the Group for the nine months ended 30 September 2012 was approved by the Management Board of JSC Kazkommertsbank on 19 November 2012.

On behalf of the Management Board of the Bank:


Zhussupova N.A.
Chairperson of the Board

19 November 2012
Almaty


Shoibekova G.K.
Chief Accountant

19 November 2012
Almaty

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

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

We have reviewed the accompanying condensed interim consolidated financial information of JSC Kazkommertsbank and its subsidiaries ("the Group") which comprises the condensed interim consolidated statement of financial position as at 30 September 2012 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three and the nine months then ended, the condensed interim consolidated statements of changes in equity and cash flows for the nine months ended 30 September 2012, and a summary of significant accounting policies and selected explanatory information. Management of the Group is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim 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 condensed interim 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Deloitte, LLP

19 November 2012
Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Notes	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Interest income	4, 18	57,764	62,867	172,392	188,656
Interest expense	4, 18	(26,044)	(32,937)	(80,855)	(102,270)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		31,720	29,930	91,537	86,386
Provision for impairment losses on interest bearing assets	5, 18	(15,865)	(13,726)	(65,773)	(47,179)
NET INTEREST INCOME		15,855	16,204	25,764	39,207
Net loss on financial assets and liabilities at fair value through profit or loss	6	(3,523)	(8,498)	(5,963)	(11,452)
Net gain/(loss) on foreign exchange and precious metals operations	7	1,368	(557)	6,718	1,290
Fee and commission income		7,169	5,841	19,982	17,279
Fee and commission expense		(2,162)	(1,773)	(6,202)	(5,156)
Net realized (loss)/gain on investments available-for- sale		(1,266)	3	(652)	(18)
Dividend income	8	39	152	8,493	181
Other income		411	1,273	3,120	3,805
NET NON-INTEREST INCOME/(LOSS)		2,036	(3,559)	25,496	5,929
OPERATING INCOME		17,891	12,645	51,260	45,136
OPERATING EXPENSES	9, 18	(8,046)	(6,816)	(24,813)	(24,337)
PROFIT BEFORE OTHER OPERATING PROVISIONS		9,845	5,829	26,447	20,799
Provision for impairment losses on other transactions (Provision)/recovery of provision for guarantees and other contingencies	5, 18 5, 18	(719) (712)	(133) 142	(2,295) (851)	(1,501) 1,491
PROFIT BEFORE INCOME TAX		8,414	5,838	23,301	20,789
Income tax (expense)/benefit	10	(1,791)	178	(3,690)	(2,868)
NET PROFIT		6,623	6,016	19,611	17,921
Attributable to:					
Ordinary shareholders of the Parent		5,822	5,332	17,276	15,913
Preference shareholders of the Parent		741	676	2,184	1,996
Non-controlling interest		60	8	151	12
		6,623	6,016	19,611	17,921
EARNINGS PER SHARE					
<i>Basic and diluted (KZT)</i>	11	7.45	6.85	22.20	20.44

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

19 November 2012
Almaty

Shoinbekova G.K.
Chief Accountant

19 November 2012
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
NET PROFIT	<u>6,623</u>	<u>6,016</u>	<u>19,611</u>	<u>17,921</u>
<i>Property and equipment:</i>				
Revaluation of property and equipment	<u>4</u>	<u>30</u>	<u>77</u>	<u>70</u>
	<u>4</u>	<u>30</u>	<u>77</u>	<u>70</u>
<i>Investments available-for-sale:</i>				
Unrealized gain/(loss) on revaluation of investments available-for-sale	336	203	223	(388)
Loss/(gain) transferred to income statement on sale of investments available-for-sale	<u>1,266</u>	<u>(3)</u>	<u>652</u>	<u>18</u>
	<u>1,602</u>	<u>200</u>	<u>875</u>	<u>(370)</u>
<i>Cash flow hedges:</i>				
Loss on cash flow hedges	-	(49)	-	(23)
Plus: net gain on hedging reserve transferred to earnings	<u>18</u>	<u>204</u>	<u>249</u>	<u>592</u>
	<u>18</u>	<u>155</u>	<u>249</u>	<u>569</u>
Exchange differences on translation of foreign operations	<u>863</u>	<u>(3,024)</u>	<u>980</u>	<u>(872)</u>
<i>Deferred income tax:</i>				
Deferred income tax recognized on (loss)/gain on investments available-for-sale, on cash flow hedges, on property and equipment	<u>(69)</u>	<u>84</u>	<u>45</u>	<u>7</u>
	<u>(69)</u>	<u>84</u>	<u>45</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME	<u><u>9,041</u></u>	<u><u>3,461</u></u>	<u><u>21,837</u></u>	<u><u>17,325</u></u>
Attributable to:				
Ordinary shareholders of the Parent	8,762	3,176	19,681	15,480
Preference shareholders of the Parent	219	303	1,996	1,839
Non-controlling interest	<u>60</u>	<u>(18)</u>	<u>160</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME	<u><u>9,041</u></u>	<u><u>3,461</u></u>	<u><u>21,837</u></u>	<u><u>17,325</u></u>

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

19 November 2012
Almaty

Shoimbekova G.K.
Chief Accountant

19 November 2012
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (UNAUDITED)

	Notes	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	12	77,432	105,067
Precious metals		662	3,280
Financial assets at fair value through profit or loss	13	113,114	188,313
Loans and advances to banks and other financial institutions		85,959	53,968
Loans to customers	14, 18	2,148,242	2,079,661
Investments available-for-sale		15,557	15,419
Investments held to maturity		6,715	4,026
Goodwill		2,405	2,405
Property, equipment and intangible assets		31,917	33,028
Other assets		77,192	80,522
TOTAL ASSETS		2,559,195	2,565,689
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions		119,571	92,215
Customer accounts	15, 18	1,452,049	1,463,077
Financial liabilities at fair value through profit or loss	13	16,813	37,771
Debt securities issued	16	307,997	324,087
Other borrowed funds		18,698	26,359
Provisions	5	12,522	10,724
Deferred income tax liabilities	10	32,231	29,131
Dividends payable		570	6
Other liabilities		8,076	7,647
		1,968,527	1,991,017
Subordinated debt		132,426	138,040
Total liabilities		2,100,953	2,129,057
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		9,011	9,023
Share premium reserve		194,709	194,924
Property and equipment revaluation reserve		5,514	5,488
Other reserves		247,736	226,085
Total equity attributable to equity holders of the Parent		456,970	435,520
Non-controlling interest		1,272	1,112
Total equity		458,242	436,632
TOTAL LIABILITIES AND EQUITY		2,559,195	2,565,689

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

19 November 2012
Almaty

Shoinbekova G.K.
Chief Accountant

19 November 2012
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve	Cumulative translation reserve	Hedging reserve	Statutory reserves	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2010	9,044	(13)	195,024	5,508	786	(1,502)	(182)	-	204,007	412,672	1,074	413,746
<i>Net profit</i>	-	-	-	-	-	-	-	-	17,909	17,909	12	17,921
Gain on revaluation of property and equipment	-	-	-	70	-	-	-	-	-	70	-	70
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(67)	-	-	-	-	67	-	-	-
Investments available-for-sale	-	-	-	-	(370)	-	-	-	-	(370)	-	(370)
Cash flow hedges	-	-	-	-	-	-	569	-	-	569	-	569
Exchange differences on translation of foreign operations	-	-	-	(3)	-	(863)	-	-	-	(866)	(6)	(872)
Deferred income tax	-	-	-	(2)	121	-	(114)	-	2	7	-	7
<i>Total comprehensive income</i>	-	-	-	(2)	(249)	(863)	455	-	17,978	17,319	6	17,325
Transfer to statutory reserve	-	-	-	-	-	-	-	167,258	(167,258)	-	-	-
Repurchase of treasury shares	-	(7)	(106)	-	-	-	-	-	-	(113)	-	(113)
30 September 2011 (unaudited)	<u>9,044</u>	<u>(20)</u>	<u>194,918</u>	<u>5,506</u>	<u>537</u>	<u>(2,365)</u>	<u>273</u>	<u>167,258</u>	<u>54,727</u>	<u>429,878</u>	<u>1,080</u>	<u>430,958</u>

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value (deficit)/reserve ¹	Cumulative translation reserve ¹	Hedging reserve ¹	Statutory reserves ¹	Retained earnings ¹	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2011	9,044	(21)	194,924	5,488	(621)	(1,273)	402	172,009	55,568	435,520	1,112	436,632
<i>Net profit</i>	-	-	-	-	-	-	-	-	19,460	19,460	151	19,611
Gain on revaluation of property and equipment	-	-	-	77	-	-	-	-	-	77	-	77
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(61)	-	-	-	-	61	-	-	-
Investments available-for-sale	-	-	-	-	875	-	-	-	-	875	-	875
Cash flow hedges	-	-	-	-	-	-	249	-	-	249	-	249
Exchange differences on translation of foreign operations	-	-	-	-	-	971	-	-	-	971	9	980
Deferred income tax	-	-	-	10	95	-	(50)	-	(10)	45	-	45
Total comprehensive income	-	-	-	26	970	971	199	-	19,511	21,677	160	21,837
Transfer to statutory reserve	-	-	-	-	-	-	-	18,518	(18,518)	-	-	-
Repurchase of treasury shares	-	(12)	(215)	-	-	-	-	-	-	(227)	-	(227)
30 September 2012 (unaudited)	<u>9,044</u>	<u>(33)</u>	<u>194,709</u>	<u>5,514</u>	<u>349</u>	<u>(302)</u>	<u>601</u>	<u>190,527</u>	<u>56,561</u>	<u>456,970</u>	<u>1,272</u>	<u>458,242</u>

¹The amounts included within the Investments available-for-sale fair value (deficit)/reserve, Cumulative translation reserve, Hedging reserve, Statutory reserves and Retained earnings, in the above table, are included within "Other reserves" in the consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

19 November 2012
Almaty

Shoinbekova G.K.
Chief Accountant

19 November 2012
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on loans and advances to banks and other financial institutions	1,664	2,655
Interest received from financial assets at fair value through profit or loss	5,208	3,740
Interest received from loans to customers	125,246	142,388
Interest received from investments available-for-sale	742	706
Interest received from investments held to maturity	242	161
Interest paid on loans and advances from banks and other financial institutions	(2,804)	(4,102)
Interest paid on customer accounts	(49,851)	(65,736)
Interest paid on debt securities issued	(17,951)	(21,780)
Interest paid on other borrowed funds	(1,142)	(923)
Interest paid on subordinated debt	(6,854)	(6,763)
Fee and commission received	19,804	17,400
Fee and commission paid	(6,231)	(5,148)
Other income received	3,432	3,789
Operating expenses paid	(22,410)	(23,568)
Cash inflow from operating activities before changes in operating assets and liabilities	49,095	42,819
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan	2,840	(24,498)
Funds deposited with Central Bank of Russian Federation	(363)	(404)
Funds deposited with National Bank of the Kyrgyz Republic	(32)	(20)
Funds deposited with National Bank of Tajikistan	25	(20)
Precious metals	2,618	(4,999)
Financial assets at fair value through profit or loss	47,885	(74,561)
Loans and advances to banks and other financial institutions	(7,806)	18,462
Loans to customers	(88,321)	31,139
Other assets	6,538	(1,289)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	26,813	(35,106)
Customer accounts	(15,991)	21,910
Other liabilities	455	1,422
Cash inflow/(outflow) from operating activities before taxation	23,756	(25,145)
Income tax paid	(541)	(4,042)
Net cash inflow/(outflow) from operating activities	23,215	(29,187)

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Notes	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(1,205)	(2,686)
Proceeds on sale of property, equipment and intangible assets		837	1,425
Dividends received		8,493	181
Purchase of investments available-for-sale		(3,463)	(1,191)
Proceeds on sale of investments available-for-sale		3,332	2,312
Purchase of investments held to maturity		(2,876)	(1,309)
Proceeds on maturity of investments held to maturity		557	-
Net cash inflow/(outflow) from investing activities		5,675	(1,268)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of treasury shares		(227)	(113)
Proceeds from debt securities issued		6,644	44,397
Repurchase and repayment of debt securities issued		(29,610)	(65,650)
Proceeds from other borrowed funds		-	7,400
Repayment of other borrowed funds		(7,621)	(4,538)
Net cash outflow from financing activities		(30,814)	(18,504)
Effect of changes in foreign exchange rate on cash and cash equivalents		111	263
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,813)	(48,696)
CASH AND CASH EQUIVALENTS, beginning of period	12	78,064	118,223
CASH AND CASH EQUIVALENTS, end of period	12	76,251	69,527

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairperson of the Board

19 November 2012
Almaty

Shoinbekova G.K.
Chief Accountant

19 November 2012
Almaty

The notes on pages 10-38 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

1. ORGANISATION

Joint Stock Company (“JSC”) Kazkommertsbank (“the Bank”, or “Kazkommertsbank”) is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank’s activities are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”) and by the Committee for control and supervision of financial market and financial organizations of the NBRK (“the FMSC”) in accordance with the license № 48 dated 27 December 2007. The Bank’s primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin Str., Almaty, 050060, the Republic of Kazakhstan.

As at 30 September 2012, the Bank has 23 branches in the Republic of Kazakhstan (31 December 2011: 23 branches in the Republic of Kazakhstan and a representative office in London).

Kazkommertsbank is the Parent company of the banking group (“the Group”). The subsidiaries consolidated in the condensed interim consolidated financial information are consistent with those presented in the consolidated financial statements for the year ended 31 December 2011.

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		30 September 2012 (unaudited)	31 December 2011	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card processing and related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	Investment management of pension assets
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Commercial bank
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	Insurance
OJSC Commercial Bank Moskommertsbank	Russian Federation	100%	100%	Commercial bank
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	95.75%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund

2. BASIS OF PRESENTATION

Accounting basis

The condensed interim consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting (“IAS 34”). 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 condensed interim consolidated financial information should be read in conjunction with the consolidated financial statements and with selective notes to the consolidated financial statements of the Group for the year ended 31 December 2011.

The condensed interim consolidated financial information has been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments according to IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) and measurement of property and equipment at revalued amounts according to IAS 16, Property, Plant and Equipment (“IAS 16”).

The preparation of the condensed interim 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 reporting date, 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 the allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

The condensed interim consolidated financial information reflects all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the financial information are of a normal, recurring nature. Because the results from common banking activities are 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 financial statements 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 reporting currency of this condensed interim consolidated financial information is the Kazakhstan tenge (“KZT”).

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim 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 2011. There were no changes in accounting policies during the nine months ended 30 September 2012.

4. NET INTEREST INCOME

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Interest income comprise:				
Interest income on financial assets recorded at amortized cost:				
- interest income on homogenous and individually assessed watch assets	30,202	41,254	102,577	115,716
- interest income on impaired financial assets	15,087	14,255	42,774	49,551
- interest income on unimpaired financial assets	10,931	4,978	22,072	17,213
Interest income on financial assets at fair value through profit or loss	1,351	2,115	4,411	5,525
Interest income on investments available-for-sale	193	265	558	651
Total interest income	57,764	62,867	172,392	188,656
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	55,626	59,692	165,307	179,656
Interest on loans and advances to banks and other financial institutions	485	718	1,847	2,635
Interest on investments held to maturity	109	77	269	189
Total interest income on financial assets recorded at amortized cost	56,220	60,487	167,423	182,480
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	1,351	2,115	4,411	5,525
Total interest income on financial assets at fair value through profit or loss	1,351	2,115	4,411	5,525
Interest income on investments available-for-sale	193	265	558	651
Total interest income	57,764	62,867	172,392	188,656
Interest expense comprise:				
Interest expense on financial liabilities recorded at amortized cost	26,044	32,937	80,855	102,270
Total interest expense	26,044	32,937	80,855	102,270
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	15,967	20,836	49,295	65,553
Interest on debt securities issued	6,156	7,349	18,548	21,893
Interest on subordinated debt	2,615	2,973	8,509	9,045
Interest on loans and advances from banks and other financial institutions	800	1,329	2,898	4,354
Preference share dividends	181	177	558	549
Other interest expense	325	273	1,047	876
Total interest expense on financial liabilities recorded at amortized cost	26,044	32,937	80,855	102,270
Net interest income before provision for impairment losses on interest bearing assets	31,720	29,930	91,537	86,386

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

Individually assessed watch assets represent loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, and/or some factors leading to the deterioration of the financial position of the borrower, which are not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools in comparison with unimpaired assets.

The Group classifies corporate loans as non-performing and accordingly impaired if there is a default on payment of the principal or accrued interest for 30 days or more.

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

	Loans and advances to banks and other financial institutions (KZT million)	Loans to customers (KZT million) (Note 14)	Investments available-for-sale (KZT million)	Total (KZT million)
30 June 2011 (unaudited)	104	599,781	-	599,885
Additional provision recognized	43	13,683	-	13,726
Write-off of assets	-	(5,105)	-	(5,105)
Foreign exchange difference	(20)	2,860	-	2,840
30 September 2011 (unaudited)	<u>127</u>	<u>611,219</u>	<u>-</u>	<u>611,346</u>
30 June 2012 (unaudited)	193	702,390	186	702,769
Additional provision recognized	61	15,804	-	15,865
Write-off of assets	-	(601)	-	(601)
Foreign exchange difference	1	2,190	-	2,191
30 September 2012 (unaudited)	<u><u>255</u></u>	<u><u>719,783</u></u>	<u><u>186</u></u>	<u><u>720,224</u></u>
	Loans and advances to banks and other financial institutions (KZT million)	Loans to customers (KZT million) (Note 14)	Investments available-for-sale (KZT million)	Total (KZT million)
31 December 2010	136	572,450	18	572,604
(Recovery of provision)/additional provision recognized	(8)	47,187	-	47,179
Write-off of assets	-	(9,157)	(18)	(9,175)
Foreign exchange difference	(1)	739	-	738
30 September 2011 (unaudited)	<u>127</u>	<u>611,219</u>	<u>-</u>	<u>611,346</u>
31 December 2011	160	658,108	186	658,454
Additional provision recognized	108	65,665	-	65,773
Write-off of assets	-	(11,030)	-	(11,030)
Foreign exchange difference	(13)	7,040	-	7,027
30 September 2012 (unaudited)	<u><u>255</u></u>	<u><u>719,783</u></u>	<u><u>186</u></u>	<u><u>720,224</u></u>

As at 30 September 2012, the Group has identified certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group in the next few years. These loans are considered impaired by management. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to its collection. The accrued interest income on these loans for the nine months ended 30 September 2012 amounted to KZT 31,769 million (30 September 2011: KZT 32,293 million). Management has established an allowance for loan losses against this interest. While there is currently evidence of impairment, the Group continues to progress work out strategies on these loans. The Group regularly evaluates probability of cash flows and introduces respective changes to the list of these corporate loans.

Total provisions for impairment losses on insurance provision, guarantees and other contingencies comprise:

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Insurance provisions	9,123	8,200
Provision for guarantees and other contingencies	3,399	2,524
	<u>12,522</u>	<u>10,724</u>

The movements in insurance provisions, allowances for impairment losses on other transactions were as follows:

	Insurance provisions (KZT million)	Other assets (KZT million)	Total (KZT million)
30 June 2011 (unaudited)	7,139	4,158	11,297
Additional provision recognized/(recovery of provision)	292	(159)	133
Write-off of assets	-	(2)	(2)
Foreign exchange difference	-	(8)	(8)
30 September 2011 (unaudited)	<u>7,431</u>	<u>3,989</u>	<u>11,420</u>
30 June 2012 (unaudited)	9,116	4,348	13,464
Additional provision recognized	7	712	719
Write-off of assets	-	(35)	(35)
Foreign exchange difference	-	41	41
30 September 2012 (unaudited)	<u>9,123</u>	<u>5,066</u>	<u>14,189</u>

	Insurance provisions (KZT million)	Other assets (KZT million)	Total (KZT million)
31 December 2010	6,287	4,033	10,320
Additional provision recognized/(recovery of provision)	1,539	(38)	1,501
Write-off of assets	(395)	(8)	(403)
Foreign exchange difference	-	2	2
	<u>7,431</u>	<u>3,989</u>	<u>11,420</u>
30 September 2011 (unaudited)			
31 December 2011	8,200	3,773	11,973
Additional provision recognized	923	1,372	2,295
Write-off of assets	-	(163)	(163)
Foreign exchange difference	-	84	84
	<u>9,123</u>	<u>5,066</u>	<u>14,189</u>

Insurance provisions comprised:

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)	30 September 2011 (unaudited) (KZT million)
Annuity insurance	4,176	3,798	3,512
Civil liability for damage	1,706	1,493	1,132
Property	1,303	648	705
Civil liability for owners of vehicles	626	813	173
Accidents	300	342	330
Medical insurance	258	214	240
Life insurance	257	133	122
Vehicles	210	294	311
Freight	103	127	108
Railway transport	57	42	33
Financial loss insurance	59	221	80
Insurance of environmental risk	16	32	32
Other	52	43	653
	<u>9,123</u>	<u>8,200</u>	<u>7,431</u>

Other includes provisions for insurance of private lawyers, auditors and audit organizations, owners of air and marine transport and others.

The movements in provision for guarantees and other contingencies were as follows:

	Guarantees and other contingencies (KZT million)
30 June 2011 (unaudited)	2,554
Recovery of provision	(142)
Foreign exchange difference	9
	<hr/>
30 September 2011 (unaudited)	2,421
30 June 2012 (unaudited)	2,676
Additional provision recognized	712
Foreign exchange difference	11
	<hr/>
30 September 2012 (unaudited)	<u>3,399</u>
31 December 2010	3,903
Recovery of provision	(1,491)
Foreign exchange difference	9
	<hr/>
30 September 2011 (unaudited)	2,421
31 December 2011	2,524
Additional provision recognized	851
Foreign exchange difference	24
	<hr/>
30 September 2012 (unaudited)	<u>3,399</u>

6. NET LOSS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Net loss on financial assets and liabilities held-for-trading	<u>(3,523)</u>	<u>(8,498)</u>	<u>(5,963)</u>	<u>(11,452)</u>
	<hr/> <u>(3,523)</u>	<hr/> <u>(8,498)</u>	<hr/> <u>(5,963)</u>	<hr/> <u>(11,452)</u>
Net loss on operations with financial assets and liabilities held-for-trading comprise:				
Realized gain on trading operations	381	335	1,149	933
Unrealized loss on fair value adjustment	(1,329)	(1,611)	(2,986)	(497)
Net loss on operations with derivative financial instruments	<u>(2,575)</u>	<u>(7,222)</u>	<u>(4,126)</u>	<u>(11,888)</u>
	<hr/> <u>(3,523)</u>	<hr/> <u>(8,498)</u>	<hr/> <u>(5,963)</u>	<hr/> <u>(11,452)</u>

7. NET GAIN/(LOSS) ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Dealing, net	994	(53)	3,603	1,866
Translation differences, net	374	(504)	3,115	(576)
	<u>1,368</u>	<u>(557)</u>	<u>6,718</u>	<u>1,290</u>

8. DIVIDEND INCOME

The dividend income for the nine months ended 30 September 2012 of KZT 8,493 million included dividend income on financial assets at fair value through profit or loss and investments available-for-sale of JSC Kazakhtelecom is the amount of KZT 6,698 million and KZT 1,523 million, respectively, and dividend income of KZT 272 million was from other investments available-for-sale.

9. OPERATING EXPENSES

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Staff costs	4,044	3,032	13,377	13,156
Depreciation and amortization	787	835	2,403	2,556
Lease	599	621	1,837	1,893
Advertising costs	559	580	1,419	1,648
Property and equipment maintenance	537	498	1,659	1,415
Taxes, other than income tax	460	417	1,125	1,178
Bank card services	230	209	649	608
Other expenses	830	624	2,344	1,883
	<u>8,046</u>	<u>6,816</u>	<u>24,813</u>	<u>24,337</u>

10. INCOME TAX

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

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 September 2012 and 31 December 2011 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 30 September 2012 and 31 December 2011:

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Deferred income tax assets:		
Tax losses carried forward on business activity and sale of investments	3,744	421
Tax losses carried forward on derivative financial instruments	2,476	2,096
Unrealised loss on trading securities and derivatives	1,585	4,093
Bonuses accrued	261	309
Provision on guarantees and letters of credit	336	61
Other assets	244	165
Total deferred income tax assets	<u>8,646</u>	<u>7,145</u>
Deferred income tax liabilities:		
Allowance for losses on loans and advances to banks and customers, and securities	38,856	34,447
Property, equipment and intangible assets and accumulated depreciation	1,871	1,729
Unrealised loss on revaluation of financial instruments treated as cash flow hedges	150	100
Total deferred income tax liabilities	<u>40,877</u>	<u>36,276</u>
Net deferred income tax liabilities	<u>32,231</u>	<u>29,131</u>

The Bank has not recognized a deferred income tax asset arising in OJSC Moskommertsbank as the Bank does not expect to generate sufficient income to realize the deferred income tax asset in the foreseeable future from this subsidiary.

Relationships between tax expenses and accounting profit for the nine months ended 30 September 2012 and 2011 are explained as follows:

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Profit before income tax	<u>8,414</u>	<u>5,838</u>	<u>23,301</u>	<u>20,789</u>
Tax at the statutory tax rate (20%)	1,683	1,168	4,660	4,158
Tax effect of permanent differences:				
- tax exempt income	228	(931)	(2,248)	(2,501)
- non-deductible expense	<u>(120)</u>	<u>(415)</u>	<u>1,278</u>	<u>1,211</u>
Income tax expense/(benefit)	<u>1,791</u>	<u>(178)</u>	<u>3,690</u>	<u>2,868</u>
Current income tax expense	310	1,223	535	6,047
Deferred income tax expense/(benefit)	<u>1,481</u>	<u>(1,401)</u>	<u>3,155</u>	<u>(3,179)</u>
Income tax expense/(benefit)	<u>1,791</u>	<u>(178)</u>	<u>3,690</u>	<u>2,868</u>

The corporate income tax rate in the Republic of Kazakhstan was 20% during the nine months ended 30 September 2012 and 2011.

	Nine months ended 30 September 2012 (unaudited) (KZT million)	Year ended 31 December 2011 (KZT million)
Deferred income tax liabilities		
As at beginning of the period	29,131	30,035
Increase/(decrease) of deferred tax liability	3,155	(896)
Change in hedging reserve	50	147
Change in deferred tax liability from revaluation of property and equipment	(10)	(1)
Change in available-for-sale reserve	(95)	(154)
	<u>32,231</u>	<u>29,131</u>
As at end of the period	<u>32,231</u>	<u>29,131</u>

11. EARNINGS PER SHARE

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

Dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Three months ended 30 September 2012 (unaudited) (KZT million)	Three months ended 30 September 2011 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2011 (unaudited) (KZT million)
Basic and diluted earnings per share				
Net profit attributable to equity holders of the Parent	6,563	6,008	19,460	17,909
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	<u>(741)</u>	<u>(676)</u>	<u>(2,184)</u>	<u>(1,996)</u>
Net profit attributable to ordinary shareholders	5,822	5,332	17,276	15,913
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>777,911,944</u>	<u>778,559,907</u>	<u>778,027,487</u>	<u>778,575,925</u>
Earnings per share – basic and diluted (KZT)	<u>7.45</u>	<u>6.85</u>	<u>22.20</u>	<u>20.44</u>

The book value per share for each type of shares as at 30 September 2012 and 31 December 2011 is as follows:

Type of shares	30 September 2012 (unaudited)			31 December 2011		
	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	777,833,446	450,761	579.51	778,362,588	428,912	551.04
Preferred shares	123,285,064	<u>13,524</u>	109.70	123,963,374	<u>13,002</u>	104.89
		<u>464,285</u>			<u>441,914</u>	

The number of outstanding ordinary and preferred shares is calculated net of treasury shares.

According to amendments enacted to the Kazakhstan Stock Exchange (“the KASE”) Listing Rules effective from 25 August 2010, listed companies are required to present book value per share (ordinary and preferred) in their financial statements. The Management of the Group believes that the book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

12. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Cash on hand	44,324	41,308
Balances with the national (central) banks	<u>33,108</u>	<u>63,759</u>
	<u>77,432</u>	<u>105,067</u>

Cash and cash equivalents for the purposes of the condensed interim consolidated statement of cash flows are comprised of the following:

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)	30 September 2011 (unaudited) (KZT million)
Cash and balances with national (central) banks	77,432	105,067	89,984
Loans and advances to banks with original maturities less than 3 months	54,123	30,771	42,705
Less funds deposited with the National Bank of the Republic of Kazakhstan (“the NBRK”)	(51,813)	(54,653)	(60,191)
Less funds deposited with the Central Bank of Russian Federation (“the CBR”)	(3,279)	(2,916)	(2,782)
Less funds deposited with the National Bank of the Kyrgyz Republic (“the NBKR”)	(158)	(126)	(130)
Less funds deposited with the National Bank of Tajikistan (“the NBT”)	<u>(54)</u>	<u>(79)</u>	<u>(59)</u>
	<u>76,251</u>	<u>78,064</u>	<u>69,527</u>

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

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Debt securities	102,317	165,359
Derivative financial instruments	5,734	13,102
Equity investments	5,063	9,852
	<u>113,114</u>	<u>188,313</u>

The financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	30 September 2012 (unaudited)		31 December 2011	
	Nominal interest rate	Amount	Nominal interest rate	Amount
	%	(KZT million)	%	(KZT million)
Debt securities:				
State treasury bonds of the Ministry of Finance of Republic of Kazakhstan	3.30-8.75	80,018	2.50-8.75	86,456
Bonds of foreign companies	6.95-13.5	10,278	5.38-14.25	12,106
Bonds of foreign banks	5.87-10.15	3,154	4.24-9.00	3,054
Bonds of Kazakhstani companies	0.00-10.10	2,456	0.00-9.50	2,509
Bonds of local executive bodies of the Russian Federation	9.00-9.25	1,974	8.79-9.00	2,195
Eurobonds of Kazakhstani banks	7.25-9.50	1,962	7.25-9.25	3,398
Eurobonds of Kazakhstani companies	8.38	856	6.25-9.13	2,889
Bonds of Kazakhstani banks	6.00-9.70	719	6.00-10.00	586
Eurobonds of Eurasian Development Bank	7.38	677	7.38	638
Bonds of Development Bank of Kazakhstan	6.50	168	6.50	147
Eurobonds of the government of the Russian Federation	7.85	55	7.85	8,765
Short-term NBRK notes	-	-	-	41,621
Bonds of international financial organizations	-	-	6.75	922
Bonds of federal loan of the Ministry of Finance of the Russian Federation	-	-	8.00	73
		<u>102,317</u>		<u>165,359</u>

As at 30 September 2012, the Group used quoted market prices from independent information sources to value all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models based on non-observable market data.

	Notional amount	30 September 2012 (unaudited)		Notional amount	31 December 2011	
		Fair value (KZT million)			Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
<i>Foreign exchange contracts:</i>						
Swaps	191,826	5,520	(7,001)	268,016	13,012	(26,605)
Spot	14,277	81	(80)	10,044	5	(17)
Forwards	11,261	42	(21)	3,768	12	-
Precious metals swap	2,641	28	-			
<i>Interest rate contracts:</i>						
Swaps	39,610	63	(9,711)	68,068	73	(11,149)
<i>Contracts on purchase/sale of securities:</i>						
Forwards	1,909	-	-	-	-	-
		<u>5,734</u>	<u>(16,813)</u>		<u>13,102</u>	<u>(37,771)</u>

	30 September 2012 (unaudited)		31 December 2011	
	Ownership share	Amount	Ownership share	Amount
	%	(KZT million)	%	(KZT million)
Equity investments:				
Shares of Kazakhstani companies	3.08	4,270	0.01-3.08	6,642
Shares of foreign companies	0.0001-0.10	284	0.0001-1.47	668
GDRs of foreign banks	0.009	247	0.0001-0.01	264
Shares of foreign banks	0.0008-0.007	120	0.0002-0.01	225
GDRs of foreign companies	0.0002-0.008	117	0.001-0.005	122
GDRs of Kazakhstani banks	0.015	25	0.0001-1.10	1,421
ADRs of foreign companies	-	-	0.0002-0.004	45
GDRs of Kazakhstani companies	-	-	0.05	465
		<u>5,063</u>		<u>9,852</u>

As at 30 September 2012, financial assets at fair value through profit or loss included accrued interest income on debt securities of KZT 1,966 million (31 December 2011: KZT 2,510 million).

As at 30 September 2012, the fair value of financial assets at fair value through profit or loss pledged under repurchase agreements amounted to KZT 66,799 million (31 December 2011: KZT 29,404 million).

14. LOANS TO CUSTOMERS

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Recorded as loans and receivables:		
Originated loans	2,860,455	2,731,605
Net investments in finance lease	6,617	6,164
Loans under reverse repurchase agreements	953	-
	<u>2,868,025</u>	<u>2,737,769</u>
Less allowance for impairment losses	<u>(719,783)</u>	<u>(658,108)</u>
	<u><u>2,148,242</u></u>	<u><u>2,079,661</u></u>

As at 30 September 2012, accrued interest income included in loans to customers amounted to KZT 382,424 million (31 December 2011: KZT 343,680 million).

Movements in allowances for impairment losses on loans to customers for the nine month period ended 30 September 2012 and 2011 are disclosed in Note 5.

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

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Analysis by type of collateral:		
Loans collateralized by real estate	1,125,602	962,619
Loans collateralized by equipment	468,228	557,616
Loans collateralized by inventories	235,070	213,059
Loans collateralized by shares of the banks and other companies	148,713	162,865
Loans collateralized by accounts receivable	67,227	74,744
Loans collateralized by cash or Kazakhstan Government guarantees	26,978	36,051
Loans collateralized by mixed types of collateral	23,647	21,784
Loans collateralized by guarantees of enterprises	4,188	17,109
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	2,229	2,072
Loans collateralized by securities	953	-
Unsecured loans	45,407	31,742
	<u>2,148,242</u>	<u>2,079,661</u>

Mixed collateral consists of multiple types of collateral including real estate, guarantees and inventories. Loans are classified as being collateralized by mixed collateral where it is impractical to split this collateral into the categories disclosed above.

As at 30 September 2012, the Bank has its own bonds with a nominal value of KZT 5,139 million (USD 34 million) (31 December 2011: KZT 12,673 million (USD 85 million)) as collateral for certain loans.

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Analysis by sector:		
Housing construction	563,136	538,737
Commercial real estate construction	321,373	280,338
Individuals	220,125	208,786
Wholesale and retail trade	210,629	207,291
Hospitality business	159,541	132,654
Real estate	142,991	131,525
Production of other non-metal materials	106,897	99,485
Investments and finance	70,479	96,886
Industrial and other construction	53,349	53,892
Energy	49,516	54,286
Agriculture	28,161	27,376
Transport and communication	26,609	64,311
Production of construction materials	18,276	18,616
Food industry	18,174	17,258
Mining and metallurgy	8,537	13,361
Medicine	7,205	6,905
Machinery construction	6,485	6,424
Other	136,759	121,530
	<u>2,148,242</u>	<u>2,079,661</u>

During the nine month period ended 30 September 2012 and the year ended 31 December 2011, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 September 2012, such assets in the amount of KZT 64,652 million (31 December 2011: KZT 68,141 million) are included in the other assets line of the condensed interim consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions.

Loans to individuals comprise the following products:

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Mortgage loans	126,165	127,527
Consumer loans	86,805	72,954
Car loans	2,765	3,483
Business loans	2,080	2,231
Other	2,310	2,591
	<u>220,125</u>	<u>208,786</u>

As at 30 September 2012, the Group granted loans to borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 607,122 million (31 December 2011: KZT 401,578 million).

As at 30 September 2012, a significant part of loans 88.78% (31 December 2011: 87.67%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

As at 30 September 2012 and 31 December 2011, the fair value of collateral and carrying value of loans under reverse repurchase agreements comprised:

	30 September 2012 (unaudited) (KZT million)		31 December 2011 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of foreign banks	591	538	-	-
Bonds of foreign companies	460	415	-	-
	1,051	953	-	-
Less allowance for impairment losses	-	-	-	-
Total loans under reverse repurchase agreements	1,051	953	-	-

As at 30 September 2012, reverse repo agreements were concluded through KASE. The Bank believes that counterparties of these agreements are banks and other financial institutions.

15. CUSTOMER ACCOUNTS

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Recorded at amortized cost:		
Time deposits	954,411	894,543
Demand deposits	388,416	457,588
JSC National Welfare Fund “Samruk-Kazyna”, JSC Entrepreneurship Development Fund “Damu” and JSC Stress Assets Fund	105,442	107,689
Accounts in precious metals	3,780	3,257
	1,452,049	1,463,077

As at 30 September 2012, customer accounts included accrued interest expense of KZT 11,681 million (31 December 2011: KZT 12,238 million).

As at 30 September 2012, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 7,798 million (31 December 2011: KZT 7,697 million).

As at 30 September 2012, the total amount of funds deposited under the stabilization program of the Government of Kazakhstan by means of deposits from JSC National Welfare Fund “Samruk-Kazyna” and JSC Stress Assets Fund excluding accrued interest amounted to KZT 103,701 million (31 December 2011: KZT 105,072 million), including:

- KZT 22,629 million for refinancing mortgage loans (initially granted and deposited in the Bank KZT 24,000 million);
- KZT 77,432 million for completion of construction projects in Almaty and Astana (initially granted and deposited in the Bank KZT 111,998 million); and
- KZT 3,640 million for financing large-scale businesses in the manufacturing sector.

On 23 February 2012, the Bank has completed a program of refinancing mortgage loans under the government program of the JSC National Welfare Fund “Samruk-Kazyna”.

As at 30 September 2012, customer accounts of KZT 552,793 million or 38.07% (31 December 2011: KZT 610,002 million or 41.69%), were due to 10 customers, which represents a significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Analysis by sector:		
Individuals	620,112	569,638
Chemical and petrochemical industry	170,283	114,558
Investments and finance	109,185	121,196
Transport and communication	85,088	116,924
Public authorities	84,021	84,862
Public organizations and unions	80,079	71,082
Individual services	60,190	66,891
Education	46,049	25,494
Wholesale and retail trade	43,842	55,525
Construction	43,217	55,868
Distribution of electricity, gas and water	28,828	98,340
Agriculture	24,839	22,841
Mining and metallurgy	13,822	18,723
Other	42,494	41,135
	<u>1,452,049</u>	<u>1,463,077</u>

16. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Recorded at amortized cost:					
Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.):					
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.625	-	25,903
Issued in December 2007 at the price 98.88%	USD	December 2012	12.85	10,186	10,384
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	45,721	45,279
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875	28,846	26,851
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	42,560	39,030
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	43,019	41,410
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875	76,161	75,258
Issued in May 2011 at the price 99.353%*	USD	May 2018	8.50	44,924	44,490
				<u>291,417</u>	<u>308,605</u>
(Less)/including:					
Discount on Eurobonds issued				(1,938)	(2,038)
Accrued interest on Eurobonds issued				<u>10,468</u>	<u>8,886</u>
Total issued Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.)				299,947	315,453
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%		April 2016	9.00	2,329	2,329
Accrued interest expenses on debt securities issued of JSC Kazkommertsbank				100	47
Premium on debt securities issued of JSC Kazkommertsbank				65	79
Issued promissory notes and bonds of OJSC Moskommertsbank at the price of 88.00%-100.00%		April 2013	2.25-12.00	704	471
Accrued interest expense on issued promissory notes and bonds of OJSC Moskommertsbank				9	7
Issued bonds of Moscow Stars B.V. at the price of 99.00%		March 2022	1.97-5.49	4,836	5,692
Accrued interest on bonds of Moscow Stars B.V.				<u>7</u>	<u>9</u>
				<u>307,997</u>	<u>324,087</u>

* Eurobonds issued by JSC Kazkommertsbank initially.

As at 30 September 2012, accrued interest expense included in debt securities issued amounted to KZT 10,583 million (31 December 2011: KZT 8,949 million).

On 13 February 2012, the Bank has repaid Eurobonds for amount of GBP 122 million issued in February 2007 for the original amount of GBP 350 million.

During the nine months ended 30 September 2012, the Bank acquired its own bonds for a total nominal amount of KZT 556 million (USD 4 million) (31 December 2011: KZT 47,841 million (USD 322 million)) and realized previously repurchased bonds for a total nominal amount of KZT 6,119 million (USD 41 million).

17. 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 condensed interim consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment 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.

As at 30 September 2012, provision for losses on guarantees and other contingencies amounted to KZT 3,407 million, where reserves (provisions) for covering losses on granted guarantees and other contingencies amounted to KZT 3,399 million and commission income on granted guarantees amounted to KZT 8 million (31 December 2011: KZT 2,524 million).

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

As at 30 September 2012 and 31 December 2011, the nominal or contract amounts and risk-weighted amounts were:

	30 September 2012 (unaudited) (KZT million)	31 December 2011 (KZT million)
Contingent liabilities and credit commitments:		
Guarantees issued and similar commitments	82,500	68,895
Commitments on loans and unused credit lines	11,782	14,053
Letters of credit and other transaction related to contingent obligations	5,356	5,280
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	29	40
	<hr/>	<hr/>
Total financial commitments and contingencies	99,667	88,268
	<hr/>	<hr/>
Less collateral in cash	(7,798)	(7,697)
Less allowances	(3,399)	(2,524)
	<hr/>	<hr/>
Total contingent liabilities and credit commitments, net	88,470	78,047
	<hr/>	<hr/>
Total risk-weighted amount	87,319	80,641
	<hr/>	<hr/>

The decision to issue loans to customers within open credit lines is made by the Group at the request of a customer and depends on the financial position of the borrower, credit history and other factors. As at 30 September 2012, the amount of liabilities on such unused credit lines equals KZT 365,550 million (31 December 2011: KZT 396,716 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit line without warning for any reason including: the borrower violates the obligations before the Group; insufficiency of collateral when revaluing the collateral due to a decrease in its pledge value or if change of prices in the market; or as a result of provision of the credit line (provision of loan) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks.

Capital commitments

As at 30 September 2012, capital commitments amounted to KZT 331 million (31 December 2011: KZT 395 million).

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 unaccrued losses will be incurred and accordingly no provision has been made in this condensed interim consolidated financial information.

Taxation

Commercial legislation of the 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, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all probable tax amounts due. Income tax related provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and the Kazakhstani economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kazakhstani economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstani economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during the periods ended 30 September 2012 and 31 December 2011.

The Group's Banking counterparties have neither changed their terms of co-operation nor decreased their limits in a manner, which would negatively affect the Group.

As at 30 September 2012 and 31 December 2011, the Group was in compliance with the covenants of the various debt agreements.

18. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24, Related Party Disclosures.

In considering each possible related party relationship, special 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:

	30 September 2012 (unaudited) (KZT million)		31 December 2011 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	986	2,868,025	1,006	2,737,769
- key management personnel of the entity or its parent	986		1,006	
Allowance for impairment losses on loans to customers	(59)	(719,783)	(78)	(658,108)
- key management personnel of the entity or its parent	(59)		(78)	
Customer accounts	5,285	1,452,049	5,758	1,463,077
- parent company	1,482		1,456	
- entities with joint control or significant influence over the entity	228		303	
- key management personnel of the entity or its parent	3,561		3,761	
- other related parties	14		238	
Commitments on loans and unused credit lines	193	11,782	121	14,053
- key management personnel of the entity or its parent	193		121	
Guarantees issued and similar commitments	13	82,500	19	68,895
- key management personnel of the entity or its parent	13		19	

Included in the condensed interim consolidated income statement for the nine months ended 30 September 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Nine months ended 30 September 2012 (unaudited) (KZT million)		Nine months ended 30 September 2011 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	54	172,392	63	188,656
- key management personnel of the entity or its parent	54		63	
Interest expense	(202)	(80,855)	(320)	(102,270)
- parent company	(47)		(90)	
- entities with joint control	-		(1)	
- key management personnel of the entity or its parent	(155)		(229)	
Operating expenses	(889)	(24,813)	(2,063)	(24,337)
Short-term employee benefits	(889)	(13,377)	(2,063)	(13,156)
(Provision)/recovery of provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(3)	(68,919)	25	(47,189)
- key management personnel of the entity or its parent	(3)		25	

Key management personnel compensation for the nine months ended 30 September 2012 and 2011 is represented by short-term employee benefits.

As at 30 September 2012 and 31 December 2011, the Group does not pledge any assets in connection with guarantees issued to management.

19. SEGMENT REPORTING

Business segments

The Group is managed and reported on the basis of four main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, documentary credits, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.
- Other – representing insurance operations and other activities.

Retail Banking offers a range of personal banking, savings and mortgage products and services. Corporate Banking offers business banking services principally to small and mid sized companies and commercial loans to larger corporate and commercial customers. Investment Banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities, Group Capital and shared services.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments, if any, have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive. Hence the Group presents operating segments on the basis of three main groups.

The amounts disclosed in the segment analysis below are regularly provided to and reviewed by the chief operating decision maker.

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	For the nine months ended 30 September 2012
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	23,417	141,890	6,372	713	-	-	172,392
Internal interest income	44,554	23,028	136,985	-	-	(204,567)	-
External interest expenses	(32,561)	(17,329)	(30,964)	(1)	-	-	(80,855)
Internal interest expenses	(12,310)	(109,106)	(83,151)	-	-	204,567	-
Net interest income before provision for impairment losses on interest bearing assets	23,100	38,483	29,242	712	-	-	91,537
Recovery of provision/(provision) for impairment losses on interest bearing assets	4,313	(69,978)	(108)	-	-	-	(65,773)
NET INTEREST INCOME/(LOSS)	27,413	(31,495)	29,134	712	-	-	25,764
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(5,950)	(13)	-	-	(5,963)
Net gain on foreign exchange and precious metals operations	1,122	568	4,986	42	-	-	6,718
Fee and commission income	10,127	6,908	2,947	-	-	-	19,982
Fee and commission expense	(5,423)	(274)	(353)	(152)	-	-	(6,202)
Net realized loss on investments available-for-sale	-	-	(652)	-	-	-	(652)
Dividend income	-	-	8,328	165	-	-	8,493
Other income	3	536	142	2,439	-	-	3,120
NET NON-INTEREST INCOME	5,829	7,738	9,448	2,481	-	-	25,496
OPERATING INCOME/(LOSS)	33,242	(23,757)	38,582	3,193	-	-	51,260
OPERATING EXPENSES	(13,609)	(7,020)	(2,191)	(1,993)	-	-	(24,813)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	19,633	(30,777)	36,391	1,200	-	-	26,447
Provision for impairment losses on other transactions	-	(1,302)	(43)	(950)	-	-	(2,295)
Provision for guarantees and other contingencies	-	(851)	-	-	-	-	(851)
PROFIT/(LOSS) BEFORE INCOME TAX	19,633	(32,930)	36,348	250	-	-	23,301
Segment assets as at 30 September 2012	246,990	1,998,208	317,410	63,564	6,893	(73,870)	2,559,195
Segment liabilities as at 30 September 2012	622,054	838,119	626,193	11,304	32,976	(29,693)	2,100,953

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	For the nine months ended 30 September 2011 (unaudited) (KZT million)
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	
External interest income	21,188	158,467	8,371	630	-	-	188,656
Internal interest income	42,292	38,747	250,178	-	-	(331,217)	-
External interest expenses	(31,740)	(33,813)	(36,717)	-	-	-	(102,270)
Internal interest expenses	(16,965)	(167,816)	(146,436)	-	-	331,217	-
Net interest income/(loss) before provision for impairment losses on interest bearing assets	14,775	(4,415)	75,396	630	-	-	86,386
(Provision)/recovery of provision for impairment losses on interest bearing assets	(755)	(47,219)	795	-	-	-	(47,179)
NET INTEREST INCOME/(LOSS)	14,020	(51,634)	76,191	630	-	-	39,207
Net loss on financial assets and liabilities at fair value though profit or loss	(120)	-	(11,202)	(130)	-	-	(11,452)
Net gain/(loss) on foreign exchange and precious metals operations	675	114	528	(27)	-	-	1,290
Fee and commission income	7,922	6,965	2,392	-	-	-	17,279
Fee and commission expense	(4,185)	(522)	(353)	(96)	-	-	(5,156)
Net realized gain/(loss) on investments available-for-sale	-	-	28	(46)	-	-	(18)
Dividend income	-	-	160	21	-	-	181
Other income	117	257	82	3,349	-	-	3,805
NET NON-INTEREST INCOME/(LOSS)	4,409	6,814	(8,365)	3,071	-	-	5,929
OPERATING INCOME/(LOSS)	18,429	(44,820)	67,826	3,701	-	-	45,136
OPERATING EXPENSES	(13,386)	(6,621)	(2,472)	(1,858)	-	-	(24,337)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	5,043	(51,441)	65,354	1,843	-	-	20,799
Recovery of provision/(provision) for impairment losses on other transactions	-	54	(8)	(1,547)	-	-	(1,501)
Recovery of provision for guarantees and other contingencies	-	1,491	-	-	-	-	1,491
PROFIT/(LOSS) BEFORE INCOME TAX	5,043	(49,896)	65,346	296	-	-	20,789
Segment assets as at 31 December 2011	236,547	1,945,678	383,429	59,431	4,594	(63,990)	2,565,689
Segment liabilities as at 31 December 2011	568,301	900,580	640,855	9,812	31,669	(22,160)	2,129,057

20. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: the risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: the Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools adequately and reasonably represent the risks.
- Risk monitoring: the Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits set forth in internal documents of the Group are reviewed on a periodic basis.
- Risk reporting: risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to management.

The main risks inherent to the Group's operations are those related to:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk
- Currency risk
- Operational risk

The risk management policies that the Group applied during nine months ended 30 September 2012 are not significantly different from the Group's risk management policies disclosed in the audited consolidated financial statements for the year ended 31 December 2011.

Liquidity risk

Liquidity risk is the risk that the Group will not have enough funding at a reasonable price to meet all cash outflows (on- and off-balance sheet).

Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of a weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through deals in money markets, with the placement of available funds in liquid securities in line with the instructions of ALMC.

The Group maintains its' compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity. The Group considers these requirements to be strict, and, as such, this measure guarantees maintaining appropriate liquidity levels.

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 September 2012 Total
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	199	169	14,604	48,746	42,367	-	106,085
Loans and advances to banks and other financial institutions	36,779	2,088	24,839	21,780	75	-	85,561
Loans to customers	29,029	120,337	441,537	662,612	512,303	-	1,765,818
Debt securities included in investments available-for-sale	7	-	1,042	4,602	7,690	-	13,341
Investments held to maturity	-	-	-	3,837	2,766	-	6,603
Total interest bearing assets	66,014	122,594	482,022	741,577	565,201	-	1,977,408
Cash and balances with national (central) banks	74,153	-	-	-	3,279	-	77,432
Precious metals	662	-	-	-	-	-	662
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	5,063	5,063
Equity securities in the investments available-for-sale	-	-	-	-	-	1,880	1,880
Accrued interest income on interest-bearing assets	32,668	58,291	120,604	173,165	508	-	385,236
Other financial assets	3,575	56	490	19	-	-	4,140
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	177,072	180,941	603,116	914,761	568,988	6,943	2,451,821
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	62,408	2,245	22,902	31,686	-	-	119,241
Customer accounts	115,010	141,169	560,319	118,264	100,183	-	1,034,945
Debt securities issued	456	10,850	46,009	193,264	46,835	-	297,414
Other borrowed funds	-	-	32	18,389	-	-	18,421
Subordinated debt	-	-	-	104,664	18,229	6,811	129,704
Total interest bearing liabilities	177,874	154,264	629,262	466,267	165,247	6,811	1,599,725
Financial liabilities at fair value through profit or loss	273	2,648	2,450	10,226	1,216	-	16,813
Customer accounts	405,423	-	-	-	-	-	405,423
Dividends payable	8	-	562	-	-	-	570
Accrued interest expense on interest-bearing liabilities	7,918	7,253	10,378	39	5	-	25,593
Other financial liabilities	2,929	187	3,791	-	2	-	6,909
TOTAL FINANCIAL LIABILITIES	594,425	164,352	646,443	476,532	166,470	6,811	2,055,033
Liquidity gap	(417,353)	16,589	(43,327)	438,229	402,518		
Interest sensitivity gap	(111,860)	(31,670)	(147,240)	275,310	399,954		
Cumulative interest sensitivity gap	(111,860)	(145,530)	(290,770)	(15,460)	384,494		
Cumulative interest sensitivity gap as a percentage of total assets	(4.6%)	(5.9%)	(11.9%)	(0.6%)	15.7%		
Contingent liabilities and credit commitments	213	-	30,092	44,827	12,421	303	

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2011 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	12,500	29,872	33,636	48,241	51,702	-	175,951
Loans and advances to banks and other financial institutions	31,775	745	2,489	18,679	60	-	53,748
Loans to customers	32,470	43,609	605,174	527,473	527,255	-	1,735,981
Debt securities included in investments available-for-sale	154	-	202	3,131	7,300	-	10,787
Investments held to maturity	-	-	95	2,173	1,670	-	3,938
Total interest bearing assets	76,899	74,226	641,596	599,697	587,987	-	1,980,405
Cash and balances with national (central) banks	102,151	-	-	-	2,916	-	105,067
Precious metals	3,280	-	-	-	-	-	3,280
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	9,852	9,852
Equity securities in the investments available-for-sale	-	-	-	-	-	4,107	4,107
Accrued interest income on interest-bearing assets	70,578	28,335	84,731	163,312	67	-	347,023
Other financial assets	3,452	920	2,058	-	-	-	6,430
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	256,360	103,481	728,385	763,009	590,970	13,959	2,456,164
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	35,019	576	17,202	39,182	-	-	91,979
Customer accounts	79,605	144,029	411,958	238,866	105,117	-	979,575
Debt securities issued	234	26,124	10,351	160,381	118,048	-	315,138
Other borrowed funds	-	-	1,512	20,711	3,765	-	25,988
Subordinated debt	-	-	-	71,647	57,510	6,744	135,901
Total interest bearing liabilities	114,858	170,729	441,023	530,787	284,440	6,744	1,548,581
Financial liabilities at fair value through profit or loss	730	22,673	866	5,511	7,991	-	37,771
Customer accounts	471,264	-	-	-	-	-	471,264
Dividends payable	6	-	-	-	-	-	6
Accrued interest expense on interest-bearing liabilities	4,684	10,136	7,204	1,909	-	-	23,933
Other financial liabilities	4,356	56	83	-	-	-	4,495
TOTAL FINANCIAL LIABILITIES	595,898	203,594	449,176	538,207	292,431	6,744	2,086,050
Liquidity gap	(339,538)	(100,113)	279,209	224,802	298,539	-	-
Interest sensitivity gap	(37,959)	(96,503)	200,573	68,910	303,547	-	-
Cumulative interest sensitivity gap	(37,959)	(134,462)	66,111	135,021	438,568	-	-
Cumulative interest sensitivity gap as a percentage of total assets	(1.5%)	(5.5%)	2.7%	5.5%	17.9%	-	-
Contingent liabilities and credit commitments	7,511	2,718	23,889	27,305	12,752	676	-

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. The Group is aware of the importance of maintaining the stability of these deposits. In order to achieve this it is essential that the Group ensures depositor confidence in the Group's liquidity, by continuing to position itself as the depositor of choice in local markets and a leading financial institution in both the Republic of Kazakhstan and abroad.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimize losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The FMSC sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

As at 30 September 2012 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	RUR	Other CCY	30 September 2012 Total
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	56,885	9,639	3,837	5,498	1,573	77,432
Precious metals	-	-	-	-	662	662
Financial assets at fair value through profit or loss	87,681	5,606	5,487	14,326	14	113,114
Loans and advances to banks and other financial institutions	7,746	70,987	3,753	2,608	865	85,959
Loans to customers	1,053,306	1,062,152	7,863	24,864	57	2,148,242
Investments available-for-sale	11,881	3,147	-	529	-	15,557
Investments held to maturity	5,066	1,281	-	368	-	6,715
Other financial assets	2,206	1,088	9	806	31	4,140
TOTAL FINANCIAL ASSETS	1,224,771	1,153,900	20,949	48,999	3,202	2,451,821
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	37,229	73,585	810	7,837	110	119,571
Customer accounts	812,934	551,515	51,852	29,870	5,878	1,452,049
Financial liabilities at fair value through profit or loss	13,584	3,038	-	-	191	16,813
Debt securities issued	2,493	225,762	79,060	682	-	307,997
Other borrowed funds	17,427	1,271	-	-	-	18,698
Dividends payable	-	563	-	-	7	570
Other financial liabilities	6,147	431	4	258	69	6,909
Subordinated debt	33,951	98,475	-	-	-	132,426
TOTAL FINANCIAL LIABILITIES	923,765	954,640	131,726	38,647	6,255	2,055,033
OPEN POSITION	301,006	199,260	(110,777)	10,352	(3,053)	

Derivative financial instruments and spot contracts

The 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 on derivative financial instruments and spot contracts as at 30 September 2012:

	KZT	USD	EUR	RUR	Other CCY	30 September 2012 Total
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
Accounts payable on spot and derivative contracts	(14,584)	(164,938)	(28,133)	(1,824)	(10,526)	(220,005)
Accounts receivable on spot and derivative contracts	14,772	54,934	139,015	1,548	9,575	219,844
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>188</u>	<u>(110,004)</u>	<u>110,882</u>	<u>(276)</u>	<u>(951)</u>	
OPEN POSITION	<u>301,194</u>	<u>89,256</u>	<u>105</u>	<u>10,076</u>	<u>(4,004)</u>	

As at 31 December 2011, the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD	EUR	RUR	Other CCY	31 December 2011 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	75,947	21,498	2,426	4,290	906	105,067
Precious metals	-	-	-	-	3,280	3,280
Financial assets at fair value through profit or loss	137,515	15,201	7,582	22,585	5,430	188,313
Loans and advances to banks and other financial institutions	2,855	38,800	5,749	2,214	4,350	53,968
Loans to customers	957,602	1,089,404	6,073	26,117	465	2,079,661
Investments available-for-sale	10,380	4,471	-	568	-	15,419
Investments held to maturity	2,629	583	-	814	-	4,026
Other financial assets	3,224	2,222	49	925	10	6,430
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	<u>1,190,152</u>	<u>1,172,179</u>	<u>21,879</u>	<u>57,513</u>	<u>14,441</u>	<u>2,456,164</u>
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	30,658	55,942	5,476	39	100	92,215
Customer accounts	882,272	485,772	58,681	30,954	5,398	1,463,077
Financial liabilities at fair value through profit or loss	33,182	4,445	-	8	136	37,771
Debt securities issued	2,455	214,408	79,355	231	27,638	324,087
Other borrowed funds	20,359	6,000	-	-	-	26,359
Dividends payable	-	-	-	-	6	6
Other financial liabilities	4,289	-	1	122	83	4,495
Subordinated debt	33,734	104,306	-	-	-	138,040
TOTAL FINANCIAL LIABILITIES	<u>1,006,949</u>	<u>870,873</u>	<u>143,513</u>	<u>31,354</u>	<u>33,361</u>	<u>2,086,050</u>
OPEN POSITION	<u>183,203</u>	<u>301,306</u>	<u>(121,634)</u>	<u>26,159</u>	<u>(18,920)</u>	

Derivative financial instruments and spot contracts

The 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 on derivative financial instruments and spot contracts as at 31 December 2011:

	KZT	USD	EUR	RUR	Other CCY	31 December 2011 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Accounts payable on spot and derivative contracts	(12,472)	(249,779)	(1,685)	-	(17,892)	(281,828)
Accounts receivable on spot and derivative contracts	11,368	30,710	125,289	1,738	91,239	260,344
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	<u>(1,104)</u>	<u>(219,069)</u>	<u>123,604</u>	<u>1,738</u>	<u>73,347</u>	
OPEN POSITION	<u>182,099</u>	<u>82,237</u>	<u>1,970</u>	<u>27,897</u>	<u>54,427</u>	

21. SUBSEQUENT EVENTS

On 11 October 2012 the Bank increased the charter capital of JSC “Pension Asset Management Company “Grantum Asset Management”, as part of its commitment of providing capital to its subsidiaries. The bank exercised its pre-emptive right and purchased 32,600 newly issued shares in Grantum Asset Management for the price of KZT 25,000 per share. As a result, the charter capital of Grantum Asset Management increased by KZT 815 million to KZT 1,465 million. The share of the Bank did not change and remained 100%.

On 13 November 2012, the Bank has cancelled bonds for the repurchase of the amount of USD 40 million.