

**JOINT STOCK COMPANY
KAZKOMMERTSBANK**

**Condensed Interim Consolidated
Financial Information (Unaudited)**
For the nine months ended 30 September 2013

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 2013 (UNAUDITED)

Management is responsible for the preparation of the condensed interim consolidated financial information that presents fairly the consolidated financial position of the Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 30 September 2013 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 proper accounting records that 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 legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The condensed interim consolidated financial information of the Group for the nine months ended 30 September 2013 was approved by the Management Board of JSC Kazkommertsbank on 28 October 2013.

On behalf of the Management Board of the Bank:



Zhussupova N.A.
Chairperson of the Board

28 October 2013
Almaty



Shoinbekova G.K.
Chief Accountant

28 October 2013
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 interim consolidated statement of financial position as at 30 September 2013 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three and nine months then ended, the interim consolidated statements of changes in equity and cash flows for the nine months ended 30 September 2013, 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


28 October 2013
Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

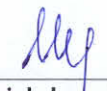
INTERIM CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Notes	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Interest income	4, 17	58,880	57,764	172,651	172,392
Interest expense	4, 17	(26,631)	(26,044)	(80,073)	(80,855)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		32,249	31,720	92,578	91,537
Provision for impairment losses on interest bearing assets	5, 17	(20,278)	(15,865)	(57,779)	(65,773)
NET INTEREST INCOME		11,971	15,855	34,799	25,764
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	4,629	(3,523)	3,062	(5,963)
Net (loss)/gain on foreign exchange and precious metals operations	7	(3,116)	1,368	653	6,718
Fee and commission income		8,218	7,169	22,938	19,982
Fee and commission expense		(1,837)	(2,162)	(6,211)	(6,202)
Net realized gain/(loss) on investments available-for-sale		111	(1,266)	182	(652)
Dividend income		39	39	291	8,493
Other income		468	411	6,873	3,120
NET NON-INTEREST INCOME		8,512	2,036	27,788	25,496
OPERATING EXPENSES	8, 17	(7,861)	(8,046)	(23,918)	(24,813)
PROFIT BEFORE OTHER OPERATING PROVISIONS		12,622	9,845	38,669	26,447
Provision for impairment losses on other transactions	5, 17	(370)	(719)	(5,488)	(2,295)
Provision for guarantees and other contingencies	5, 17	(888)	(712)	(3,241)	(851)
PROFIT BEFORE INCOME TAX		11,364	8,414	29,940	23,301
Income tax expense	9	(3,426)	(1,791)	(6,668)	(3,690)
NET PROFIT		7,938	6,623	23,272	19,611
Attributable to:					
Ordinary shareholders of the Parent		6,915	5,822	20,291	17,276
Preference shareholders of the Parent		908	741	2,675	2,184
Non-controlling interest		115	60	306	151
		7,938	6,623	23,272	19,611
EARNINGS PER SHARE					
<i>Basic and diluted (KZT)</i>	10	8.89	7.48	26.09	22.20

On behalf of the Management Board of the Bank:


Zhussupova N.A.
Chairperson of the Board

28 October 2013
Almaty


Shoinbekova G.K.
Chief Accountant

28 October 2013
Almaty

The notes on pages 10-37 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
NET PROFIT FOR THE PERIOD	<u>7,938</u>	<u>6,623</u>	<u>23,272</u>	<u>19,611</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Net gain resulting on revaluation of property	178	4	165	77
Net (loss)/gain on cash flows hedges	(37)	18	425	249
Income tax	<u>(23)</u>	<u>(4)</u>	<u>(108)</u>	<u>(50)</u>
	<u>118</u>	<u>18</u>	<u>482</u>	<u>276</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	453	862	(714)	980
Net (loss)/gain resulting on revaluation of available-for-sale investments during the period	(8)	336	(13)	223
Reclassification adjustment relating to available-for-sale investments disposed of in the period	(111)	1,266	(182)	652
Income tax	<u>33</u>	<u>(64)</u>	<u>25</u>	<u>95</u>
	<u>367</u>	<u>2,400</u>	<u>(884)</u>	<u>1,950</u>
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX	<u>485</u>	<u>2,418</u>	<u>(402)</u>	<u>2,226</u>
TOTAL COMPREHENSIVE INCOME	<u><u>8,423</u></u>	<u><u>9,041</u></u>	<u><u>22,870</u></u>	<u><u>21,837</u></u>
Attributable to:				
Ordinary shareholders of the Parent	7,224	8,762	19,503	19,681
Preference shareholders of the Parent	1,086	219	3,085	1,996
Non-controlling interest	<u>113</u>	<u>60</u>	<u>282</u>	<u>160</u>
TOTAL COMPREHENSIVE INCOME	<u><u>8,423</u></u>	<u><u>9,041</u></u>	<u><u>22,870</u></u>	<u><u>21,837</u></u>

On behalf of the Management Board of the Bank:


Zhussupova N.A.
Chairperson of the Board

28 October 2013
Almaty




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Chief Accountant

28 October 2013
Almaty


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JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 (UNAUDITED)

	Notes	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	11	237,313	106,497
Precious metals		2,801	3,823
Financial assets at fair value through profit or loss	12	134,716	118,822
Loans and advances to banks and other financial institutions		123,149	146,703
Loans to customers	13, 17	1,931,830	1,917,692
Investments available-for-sale		17,904	15,682
Investments held to maturity		6,939	6,937
Goodwill		2,405	2,405
Property, equipment and intangible assets		33,173	32,520
Deferred income tax assets	9	3,312	4,220
Other assets		141,518	89,511
TOTAL ASSETS		2,635,060	2,444,812
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions		82,938	110,477
Customer accounts	14, 17	1,775,336	1,553,576
Financial liabilities at fair value through profit or loss	12	2,561	8,877
Debt securities issued	15	257,934	297,247
Other borrowed funds		15,498	18,631
Provisions	5	22,363	15,549
Dividends payable		584	40
Other liabilities		22,165	10,296
		2,179,379	2,014,693
Subordinated debt		125,003	122,150
Total liabilities		2,304,382	2,136,843
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		8,995	9,008
Share premium reserve		194,573	194,721
Property and equipment revaluation reserve		5,800	5,808
Other reserves		119,713	97,117
Total equity attributable to equity holders of the Parent		329,081	306,654
Non-controlling interest		1,597	1,315
Total equity		330,678	307,969
TOTAL LIABILITIES AND EQUITY		2,635,060	2,444,812

On behalf of the Management Board of the Bank:


Zhussupova N.A.
Chairperson of the Board

28 October 2013
Almaty


Shoinbekova G.K.
Chief Accountant

28 October 2013
Almaty

The notes on pages 10-37 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (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 (KZT million)	Non-controlling interest (KZT million)	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)	(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
Net profit	-	-	-	-	-	-	-	-	19,460	19,460	151	19,611
Other comprehensive income	-	-	-	77	970	971	199	-	-	2,217	9	2,226
Total comprehensive income	-	-	-	77	970	971	199	-	19,460	21,677	160	21,837
Transfer to statutory reserve	-	-	-	-	-	-	-	18,518	(18,518)	-	-	-
Repurchase of treasury shares	-	(12)	(215)	-	-	-	-	-	-	(227)	-	(227)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(51)	-	-	-	-	51	-	-	-
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>

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit 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 2012	9,044	(36)	194,721	5,808	(98)	122	591	802	95,700	306,654	1,315	307,969
Net profit	-	-	-	-	-	-	-	-	22,966	22,966	306	23,272
Other comprehensive income	-	-	-	145	(170)	(690)	337	-	-	(378)	(24)	(402)
Total comprehensive income	-	-	-	145	(170)	(690)	337	-	22,966	22,588	282	22,870
Transfer to statutory reserve	-	-	-	-	-	-	-	(802)	802	-	-	-
Repurchase of treasury shares	-	(13)	(148)	-	-	-	-	-	-	(161)	-	(161)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(153)	-	-	-	-	153	-	-	-
30 September 2013 (unaudited)	<u>9,044</u>	<u>(49)</u>	<u>194,573</u>	<u>5,800</u>	<u>(268)</u>	<u>(568)</u>	<u>928</u>	<u>-</u>	<u>119,621</u>	<u>329,081</u>	<u>1,597</u>	<u>330,678</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 interim consolidated statement of financial position.

On behalf of the Management Board of the Bank:


Zhussupova N.A.
Chairperson of the Board

28 October 2013
Almaty


Shoinbekova G.K.
Chief Accountant

28 October 2013
Almaty

The notes on pages 10-37 form an integral part of this condensed interim consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (UNAUDITED)


	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on loans and advances to banks and other financial institutions	1,046	1,664
Interest received from financial assets at fair value through profit or loss	4,881	5,208
Interest received from loans to customers	122,008	125,246
Interest received from investments available-for-sale	872	742
Interest received from investments held to maturity	187	242
Interest paid on loans and advances from banks and other financial institutions	(2,145)	(2,804)
Interest paid on customer accounts	(56,080)	(49,851)
Interest paid on debt securities issued	(15,358)	(17,951)
Interest paid on other borrowed funds	(1,002)	(1,142)
Interest paid on subordinated debt	(4,952)	(6,854)
Fee and commission received	22,847	19,804
Fee and commission paid	(6,210)	(6,231)
Other income received	6,801	3,432
Operating expenses paid	(21,537)	(22,410)
Cash inflow from operating activities before changes in operating assets and liabilities	51,358	49,095
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan	(4,860)	2,840
Funds deposited with Central Bank of Russian Federation	945	(363)
Funds deposited with National Bank of the Kyrgyz Republic	(34)	(32)
Funds deposited with National Bank of Tajikistan	(24)	25
Precious metals	1,023	2,618
Financial assets at fair value through profit or loss	(17,068)	47,885
Loans and advances to banks and other financial institutions	5,367	(7,806)
Loans to customers	(41,561)	(88,321)
Other assets	(15,348)	6,538
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(28,445)	26,813
Customer accounts	204,523	(15,991)
Other liabilities	11,773	455
Cash inflow from operating activities before taxation	167,649	23,756
Income tax paid	(5,833)	(541)
Net cash inflow from operating activities	161,816	23,215

JOINT STOCK COMPANY KAZKOMMERTSBANK


INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Notes	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(2,952)	(1,205)
Proceeds on sale of property and equipment		43	837
Dividends received		291	8,493
Purchase of investments available-for-sale		(7,360)	(3,463)
Proceeds on sale of investments available-for-sale		3,679	3,332
Purchase of investments held to maturity		(482)	(2,876)
Proceeds on maturity of investments held to maturity		180	557
Net cash (outflow)/inflow from investing activities		(6,601)	5,675
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchase of treasury shares		(161)	(227)
Proceeds from debt securities issued		1,830	6,644
Repurchase and repayment of debt securities issued		(51,983)	(29,610)
Repayment of other borrowed funds		(2,956)	(7,621)
Net cash outflow from financing activities		(53,270)	(30,814)
Effect of changes in foreign exchange rate on cash and cash equivalents		3,878	111
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		105,823	(1,813)
CASH AND CASH EQUIVALENTS, beginning of period	11	178,245	78,064
CASH AND CASH EQUIVALENTS, end of period	11	284,068	76,251

On behalf of the Management Board of the Bank:


Zhussupova N.A.
Chairperson of the Board

28 October 2013
Almaty


Shoinbekova G.K.
Chief Accountant

28 October 2013
Almaty

The notes on pages 10-37 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 2013 (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 No. 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 2013 and 31 December 2012, the Bank has 23 branches in the Republic of Kazakhstan.

Kazkommertsbank is the Parent company of the banking group (“the Group”). The subsidiaries consolidated in the condensed interim consolidated financial information for the nine months ended 30 September 2013 are consistent with those presented in the consolidated financial statements for the year ended 31 December 2012:

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		30 September 2013 (unaudited)	31 December 2012	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company Kazkommerts	Republic of Kazakhstan	100%	100%	Payment card processing and other 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
KUSA-KKB-1 LLP	Republic of Kazakhstan	100%	-	Management of distressed assets
KUSA KKB-2 LLP	Republic of Kazakhstan	100%	-	Management of distressed assets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	95.75%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund

In December 2011, Kazakhstan adopted the Law of the Republic of Kazakhstan on the Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan regarding the Regulation of Banking Activities and Financial Institutions with Respect to Risk Mitigation, which stipulated that commercial banks create special subsidiaries to purchase banks' non-working (distressed) assets and manage them. On 28 January 2013, the Bank's special subsidiaries for the management of distressed assets – KUSA-KKB-1 LLP and KUSA KKB-2 LLP - were registered by the Ministry of Justice of the Republic of Kazakhstan.

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 2012.

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 2012. There were no changes in accounting policies during the nine months ended 30 September 2013, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

Valuation of financial instruments

The Group classifies its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 September 2013 and 31 December 2012, respectively:

Category as per the interim consolidated statement of financial position		Quoted prices in active markets (Level 1) (KZT million)	Internal models based on market prices (Level 2) (KZT million)	Internal models (unobservable inputs) (Level 3) (KZT million)	30 September 2013 (unaudited) Total (KZT million)
Assets:					
	Debt securities	119,095	-	72	119,167
	Equity investments	5,197	-	-	5,197
Financial assets at fair value through profit or loss	Foreign exchange and interest rate derivative financial instruments	-	10,352	-	10,352
Investments available-for-sale	Debt securities	16,444	-	-	16,444
	Equity investments	1,460	-	-	1,460
Total		<u>142,196</u>	<u>10,352</u>	<u>72</u>	<u>152,620</u>
Liabilities:					
Financial liabilities at fair value through profit or loss	Foreign exchange and interest rate derivative financial instruments	-	2,561	-	2,561
Total		<u>-</u>	<u>2,561</u>	<u>-</u>	<u>2,561</u>

Category as per the consolidated statement of financial position	Quoted prices in active markets (Level 1) (KZT million)	Internal models based on market prices (Level 2) (KZT million)	Internal models (unobservable inputs) (Level 3) (KZT million)	31 December 2012 Total (KZT million)	
Assets:					
	Debt securities	103,561	-	83	103,644
	Equity investments	6,355	-	-	6,355
Financial assets at fair value through profit or loss	Foreign exchange and interest rate derivative financial instruments	-	8,823	-	8,823
Investments available-for-sale	Debt securities	13,965	-	-	13,965
	Equity investments	1,717	-	-	1,717
Total		<u>125,598</u>	<u>8,823</u>	<u>83</u>	<u>134,504</u>
Liabilities:					
Financial liabilities at fair value through profit or loss	Foreign exchange and interest rate derivative financial instruments	-	8,877	-	8,877
Total		<u>-</u>	<u>8,877</u>	<u>-</u>	<u>8,877</u>

Securities lending and repurchase agreements

The Group has a plan to borrow and lend securities and to sell securities under agreements to repurchase (repos) and to purchase securities under agreements to resell (reverse repos). The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

Similarly, the Group may sell or re-pledge 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 record a separate asset for any possible cash collateral provided.

As at 30 September 2013, the fair value of securities transferred as collateral under loans under repurchase agreements amounted to KZT 57,629 million (31 December 2012: KZT 77,936 million).

	Financial assets at fair value through profit or loss (KZT million)
Total carrying amount of the original assets before the transfer	57,820
As at 30 September 2013 (unaudited):	
Carrying amount of assets	57,629
Carrying amount of associated liabilities (loans under repurchase agreements)	52,704
Total carrying amount of the original assets before the transfer	77,936
As at 31 December 2012:	
Carrying amount of assets	77,936
Carrying amount of associated liabilities (loans under repurchase agreements)	71,486

As at 30 September 2013, the fair value of securities received as collateral under reverse repurchase agreements amounted to KZT 13,232 million (31 December 2012: KZT 11,623 million).

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed interim 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 2012, except for the adoption of new standards and interpretations effective as at 1 January 2013, which are relevant for interim financial reporting.

Application of IFRS 12 Disclosure of Interests in Other Entities resulted in more extensive disclosures in the interim condensed consolidated financial statements (see Note 1).

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 Fair Value Measurement is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. Application of IFRS 13 Fair Value Measurement resulted in more extensive disclosures in the interim condensed consolidated financial information (see Note 3).

Amendments to IAS 1 Presentation of Financial Statements “Presentation of Items of Other Comprehensive Income”

The Group has applied the amendments to IAS 1 Presentation of Financial Statements “Presentation of Items of Other Comprehensive Income”. The amendments require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the Group's previous annual consolidated financial statements for that reportable segment.

The Group provides this disclosure as total segment assets and was previously reported to the chief operating decision maker.

However, this amendment does not impact the disclosure as the Group previously disclosed total segment liabilities (Note 18).

4. NET INTEREST INCOME

	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Interest income comprise:				
Interest income on financial assets recorded at amortized cost:				
- interest income on homogenous and individually assessed watch assets	37,859	30,202	108,804	102,577
- interest income on impaired financial assets	16,578	15,087	43,903	42,774
- interest income on unimpaired financial assets	2,850	10,931	14,970	22,072
Interest income on financial assets at fair value through profit or loss	1,190	1,351	4,168	4,411
Interest income on investments available-for-sale	403	193	806	558
Total interest income	58,880	57,764	172,651	172,392
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	56,742	55,626	166,186	165,307
Interest on loans and advances to banks and other financial institutions	495	485	1,326	1,847
Interest on investments held to maturity	50	109	165	269
Total interest income on financial assets recorded at amortized cost	57,287	56,220	167,677	167,423
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	1,190	1,351	4,168	4,411
Total interest income on financial assets at fair value through profit or loss	1,190	1,351	4,168	4,411
Interest income on investments available-for-sale	403	193	806	558
Total interest income	58,880	57,764	172,651	172,392
Interest expense comprise:				
Interest expense on financial liabilities recorded at amortized cost	26,631	26,044	80,073	80,855
Total interest expense	26,631	26,044	80,073	80,855
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	18,253	15,967	53,977	49,295
Interest on debt securities issued	4,700	6,156	15,625	18,548
Interest on subordinated debt	2,185	2,615	6,569	8,509
Interest on loans and advances from banks and other financial institutions	1,048	800	2,535	2,898
Preference share dividends	183	181	534	558
Other interest expense	262	325	833	1,047
Total interest expense on financial liabilities recorded at amortized cost	26,631	26,044	80,073	80,855
Net interest income before provision for impairment losses on interest bearing assets	32,249	31,720	92,578	91,537

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.

In the third quarter of 2013, due to changes in the regulations of the NBRK, the Group carried out a reversal of the statutory reserve that reflected the difference between the allowance for impairment losses accrued in accordance with IFRS and allowance for impairment losses based on regulatory requirements. Under the revised regulations, the Group is required to create general dynamic reserves based on approved methodology, and, according to Group's current calculations the amount of these reserves of the Group is Nil as at 30 September 2013.

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 13)	Investments available-for-sale (KZT million)	Total (KZT million)
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>255</u>	<u>719,783</u>	<u>186</u>	<u>720,224</u>
30 June 2013 (unaudited)	151	940,329	186	940,666
Additional provision recognized	-	20,232	46	20,278
Write-off of assets	(3)	(4,204)	-	(4,207)
Foreign exchange difference	2	8,628	-	8,630
30 September 2013 (unaudited)	<u>150</u>	<u>964,985</u>	<u>232</u>	<u>965,367</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>255</u>	<u>719,783</u>	<u>186</u>	<u>720,224</u>
31 December 2012	280	923,287	186	923,753
(Recovery of provision)/additional provision recognized	(133)	57,866	46	57,779
Write-off of assets	-	(26,929)	-	(26,929)
Foreign exchange difference	3	10,761	-	10,764
30 September 2013 (unaudited)	<u>150</u>	<u>964,985</u>	<u>232</u>	<u>965,367</u>

As at 30 September 2013, 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 2013 amounted to KZT 32,793 million (30 September 2012: KZT 31,769 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.

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Insurance provisions, gross	16,386	12,876
Reinsurance share in provision	<u>(3,783)</u>	<u>(3,322)</u>
	<u>12,603</u>	<u>9,554</u>

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

	Insurance provisions, gross (KZT million)	Other assets (KZT million)	Total (KZT million)
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	<u>-</u>	<u>41</u>	<u>41</u>
30 September 2012 (unaudited)	<u>9,123</u>	<u>5,066</u>	<u>14,189</u>
30 June 2013 (unaudited)	16,681	6,295	22,976
(Recovery of provision)/additional provision recognized	(295)	316	21
Write-off of assets	-	(149)	(149)
Foreign exchange difference	<u>-</u>	<u>37</u>	<u>37</u>
30 September 2013 (unaudited)	<u>16,386</u>	<u>6,499</u>	<u>22,885</u>
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	<u>-</u>	<u>84</u>	<u>84</u>
30 September 2012 (unaudited)	<u>9,123</u>	<u>5,066</u>	<u>14,189</u>
31 December 2012	12,876	4,890	17,766
Additional provision recognized	3,510	2,439	5,949
Write-off of assets	-	(877)	(877)
Foreign exchange difference	<u>-</u>	<u>47</u>	<u>47</u>
30 September 2013 (unaudited)	<u>16,386</u>	<u>6,499</u>	<u>22,885</u>

Insurance provisions, net of reinsurance, comprised:

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)	30 September 2012 (unaudited) (KZT million)
Annuity insurance	7,587	4,432	4,176
Civil liability for damage	2,199	1,851	1,706
Property	962	1,395	1,303
Civil liability for owners of vehicles	589	645	626
Life insurance	383	252	257
Vehicles	222	193	210
Medical insurance	220	276	258
Accidents	216	226	300
Freight	77	104	103
Financial loss insurance	43	71	59
Other	105	109	125
	<u>12,603</u>	<u>9,554</u>	<u>9,123</u>

Other includes provisions for insurance of private lawyers, auditors and audit organizations, medical, 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) (Note 16)
30 June 2012 (unaudited)	2,676
Additional provision recognized	712
Foreign exchange difference	<u>11</u>
30 September 2012 (unaudited)	<u>3,399</u>
30 June 2013 (unaudited)	5,039
Additional provision recognized	888
Foreign exchange difference	<u>50</u>
30 September 2013 (unaudited)	<u>5,977</u>
31 December 2011	2,524
Additional provision recognized	851
Foreign exchange difference	<u>24</u>
30 September 2012 (unaudited)	<u>3,399</u>
31 December 2012	2,673
Additional provision recognized	3,241
Foreign exchange difference	<u>63</u>
30 September 2013 (unaudited)	<u>5,977</u>

The movements in provision for reinsurance assets were as follows:

	Reinsurance assets (KZT million)
30 June 2013 (unaudited)	(4,132)
Reinsurance share in provision	<u>349</u>
30 September 2013	<u><u>(3,783)</u></u>
31 December 2012	(3,322)
Reinsurance share in provision	<u>(461)</u>
30 September 2013 (unaudited)	<u><u>(3,783)</u></u>

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

	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Net gain/(loss) on financial assets and liabilities held-for-trading	<u>4,629</u>	<u>(3,523)</u>	<u>3,062</u>	<u>(5,963)</u>
	<u><u>4,629</u></u>	<u><u>(3,523)</u></u>	<u><u>3,062</u></u>	<u><u>(5,963)</u></u>
Net gain/(loss) on financial assets and liabilities held-for-trading comprise:				
Realized (loss)/gain on trading operations	(167)	381	97	1,149
Unrealized gain/(loss) on fair value adjustment	63	(1,329)	994	(2,986)
Net gain/(loss) on operations with derivative financial instruments	<u>4,733</u>	<u>(2,575)</u>	<u>1,971</u>	<u>(4,126)</u>
	<u><u>4,629</u></u>	<u><u>(3,523)</u></u>	<u><u>3,062</u></u>	<u><u>(5,963)</u></u>

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

	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Dealing, net	3,456	994	4,453	3,603
Translation differences, net	<u>(6,572)</u>	<u>374</u>	<u>(3,800)</u>	<u>3,115</u>
	<u><u>(3,116)</u></u>	<u><u>1,368</u></u>	<u><u>653</u></u>	<u><u>6,718</u></u>

8. OPERATING EXPENSES

	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Staff costs	4,000	4,044	12,411	13,377
Depreciation and amortization	842	787	2,381	2,403
Lease	510	599	1,574	1,837
Taxes, other than income tax	477	460	1,320	1,125
Property and equipment maintenance	441	537	1,612	1,659
Advertising and communications costs	342	559	1,184	1,419
Security	211	223	648	556
Bank card services	201	230	626	649
Other expenses	837	607	2,162	1,788
	<u>7,861</u>	<u>8,046</u>	<u>23,918</u>	<u>24,813</u>

9. 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 2013 and 31 December 2012 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Relationships between tax expenses and accounting profit for the three and nine months ended 30 September 2013 and 2012 are explained as follows:

	Three months ended 30 September 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Profit before income tax	<u>11,364</u>	<u>8,414</u>	<u>29,940</u>	<u>23,301</u>
Tax at the statutory tax rate (20%)	2,273	1,683	5,988	4,660
Tax effect of permanent differences:				
- tax exempt income	588	228	(1,597)	(2,248)
- non-deductible expense	<u>565</u>	<u>(120)</u>	<u>2,277</u>	<u>1,278</u>
Income tax expense	<u>3,426</u>	<u>1,791</u>	<u>6,668</u>	<u>3,690</u>
Current income tax expense	4,672	310	5,833	535
Deferred income tax (benefit)/expense	<u>(1,246)</u>	<u>1,481</u>	<u>835</u>	<u>3,155</u>
Income tax expense	<u>3,426</u>	<u>1,791</u>	<u>6,668</u>	<u>3,690</u>

The corporate income tax rate in the Republic of Kazakhstan was 20% during the three and nine months ended 30 September 2013 and 2012.

	Nine months ended 30 September 2013 (unaudited) (KZT million)	Year ended 31 December 2012 (KZT million)
Deferred income tax (assets)/liabilities		
As at beginning of the period	(4,220)	29,131
Increase/(decrease) of deferred tax asset	835	(33,534)
Change in hedging reserve	88	47
Change in available-for-sale reserve	(25)	136
Change in deferred tax liability from revaluation of property and equipment	10	-
	<u>(3,312)</u>	<u>(4,220)</u>
As at end of the period	<u>(3,312)</u>	<u>(4,220)</u>

10. 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 2013 (unaudited) (KZT million)	Three months ended 30 September 2012 (unaudited) (KZT million)	Nine months ended 30 September 2013 (unaudited) (KZT million)	Nine months ended 30 September 2012 (unaudited) (KZT million)
Basic and diluted earnings per share				
Net profit attributable to equity holders of the Parent	7,823	6,563	22,966	19,460
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	<u>(908)</u>	<u>(741)</u>	<u>(2,675)</u>	<u>(2,184)</u>
Net profit attributable to ordinary shareholders	6,915	5,822	20,291	17,276
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>777,591,983</u>	<u>777,911,944</u>	<u>777,746,780</u>	<u>778,027,487</u>
Earnings per share – basic and diluted (KZT)	<u>8.8</u>	<u>7.4</u>	<u>26.0</u>	<u>22.2</u>

The book value per share for each type of shares as at 30 September 2013 and 31 December 2012 is as follows:

Type of shares	30 September 2013 (unaudited)			31 December 2012		
	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	777,467,019	322,395	414.67	777,588,523	300,454	386.39
Preferred shares	122,042,134	<u>13,614</u>	111.55	123,209,769	<u>13,038</u>	105.82
		<u>336,009</u>			<u>313,492</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.

11. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Cash on hand	43,671	50,188
Balances with the national (central) banks	<u>193,642</u>	<u>56,309</u>
	<u>237,313</u>	<u>106,497</u>

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

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)	30 September 2012 (unaudited) (KZT million)
Cash and balances with national (central) banks	237,313	106,497	77,432
Loans and advances to banks with original maturities less than 3 months	91,713	112,733	54,123
Less funds deposited with the National Bank of the Republic of Kazakhstan (“the NBRK”)	(42,666)	(37,806)	(51,813)
Less funds deposited with the Central Bank of Russian Federation (“the CBR”)	(2,029)	(2,974)	(3,279)
Less funds deposited with the National Bank of the Kyrgyz Republic (“the NBKR”)	(167)	(133)	(158)
Less funds deposited with the National Bank of Tajikistan (“the NBT”)	<u>(96)</u>	<u>(72)</u>	<u>(54)</u>
	<u>284,068</u>	<u>178,245</u>	<u>76,251</u>

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

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Debt securities	119,167	103,644
Equity investments	5,197	6,355
Derivative financial instruments	10,352	8,823
	<u>134,716</u>	<u>118,822</u>

	Notional amount	30 September 2013 (unaudited) Fair value (KZT million)		Notional amount	31 December 2012 Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
<i>Foreign exchange contracts:</i>						
Swaps	222,855	10,282	(1,635)	166,073	8,701	(1,514)
Spot	7,005	67	(79)	21,723	23	(12)
Forwards	-	-	-	4,540	22	-
<i>Interest rate contracts:</i>						
Swaps	8,544	<u>3</u>	<u>(847)</u>	34,193	<u>77</u>	<u>(7,351)</u>
		<u>10,352</u>	<u>(2,561)</u>		<u>8,823</u>	<u>(8,877)</u>

As at 30 September 2013, 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.

13. LOANS TO CUSTOMERS

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Recorded as loans and receivables:		
Originated loans	2,889,202	2,834,240
Net investments in finance lease	7,022	6,739
Loans under reverse repurchase agreements	591	-
	<u>2,896,815</u>	<u>2,840,979</u>
Less allowance for impairment losses	<u>(964,985)</u>	<u>(923,287)</u>
	<u>1,931,830</u>	<u>1,917,692</u>

As at 30 September 2013, accrued interest income included in loans to customers amounted to KZT 375,932 million (31 December 2012: KZT 371,611 million).

Movements in allowances for impairment losses on loans to customers for the three and nine months ended 30 September 2013 and 2012 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 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Analysis by type of collateral:		
Loans collateralized by real estate	1,120,886	1,053,504
Loans collateralized by equipment	331,209	400,186
Loans collateralized by shares of the banks and other companies	144,190	135,693
Loans collateralized by inventories	138,772	175,388
Loans collateralized by accounts receivable	57,974	61,316
Loans collateralized by mixed types of collateral	18,032	11,667
Loans collateralized by cash or Kazakhstan Government guarantees	8,202	15,977
Loans collateralized by guarantees of enterprises	4,219	11,579
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	1,130	7,883
Loans collateralized by securities	591	-
Unsecured loans	106,625	44,499
	<u>1,931,830</u>	<u>1,917,692</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.

In addition to the collateral disclosed above, as at 30 September 2013, the Bank has its own bonds and Eurobonds (previously issued by its subsidiary Kazkommerts Finance II B.V.) with a fair value of KZT 1 million (USD 6 thousand) (31 December 2012: KZT 47 million (USD 313 thousand)) as collateral for certain loans.

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Analysis by sector:		
Housing construction	526,653	504,032
Commercial real estate construction	297,416	296,818
Individuals	265,915	213,185
Wholesale and retail trade	161,800	197,549
Hospitality business	134,404	138,146
Real estate	121,788	113,363
Production of other non-metal materials	110,302	103,829
Investments and finance	43,541	39,860
Energy	37,345	43,558
Industrial and other construction	37,301	36,321
Transport and communication	35,972	40,262
Production of construction materials	19,659	19,325
Food industry	13,132	15,259
Mining and metallurgy	11,363	8,786
Agriculture	8,815	21,847
Medicine	7,603	7,323
Machinery construction	5,811	4,233
Other	93,010	113,996
	<u>1,931,830</u>	<u>1,917,692</u>

During the nine months ended 30 September 2013 and the year ended 31 December 2012, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 September 2013, such assets in the amount of KZT 83,005 million (31 December 2012: KZT 71,853 million) are included in the other assets line. 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 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Consumer loans	145,581	83,595
Mortgage loans	115,168	123,104
Business loans	2,131	2,186
Car loans	2,070	2,536
Other	965	1,764
	<u>265,915</u>	<u>213,185</u>

As at 30 September 2013, the Group granted loans to the borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 889,878 million (31 December 2012: KZT 832,629 million), which are represented by loans issued to 15 borrowers.

As at 30 September 2013, a significant part of loans 90.62% (31 December 2012: 90.52%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

14. CUSTOMER ACCOUNTS

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Recorded at amortized cost:		
Time deposits	1,131,340	1,064,077
Demand deposits	537,186	379,974
JSC National Welfare Fund "Samruk-Kazyna", JSC Entrepreneurship Development Fund "Damu" and JSC Stress Assets Fund	103,992	105,883
Accounts in precious metals	2,818	3,642
	<u>1,775,336</u>	<u>1,553,576</u>

As at 30 September 2013, customer accounts included accrued interest expense of KZT 10,741 million (31 December 2012: KZT 12,844 million).

As at 30 September 2013, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 8,699 million (31 December 2012: KZT 6,626 million).

As at 30 September 2013, 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 101,695 million (31 December 2012: KZT 103,701 million), including:

- KZT 21,257 million for refinancing mortgage loans (initially granted and deposited in the Bank KZT 24,000 million);
- KZT 76,798 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.

As at 30 September 2013, customer accounts of KZT 885,469 million or 49.88% (31 December 2012: KZT 654,158 million or 42.11%) were due to 10 customers, which represent 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 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Analysis by sector:		
Individuals	659,922	659,384
Chemical and petrochemical industry	339,772	199,811
Public organizations and unions	133,375	84,825
Transport and communication	94,940	96,591
Distribution of electricity, gas and water	87,740	70,207
Government related entities	80,206	83,355
Investments and finance	66,483	105,072
Education	58,440	35,944
Construction	56,343	60,053
Agriculture	51,769	12,519
Wholesale and retail trade	42,315	49,602
Individual services	38,712	41,419
Mining and metallurgy	15,088	10,887
Other	50,231	43,907
	<u>1,775,336</u>	<u>1,553,576</u>

15. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Recorded at amortized cost:					
Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.):					
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	-	45,940
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875	29,535	29,016
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	41,996	42,671
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	44,614	43,121
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875	81,515	78,202
Issued in May 2011 at the price of 99.353%*	USD	May 2018	8.50	46,103	45,188
				<u>243,763</u>	<u>284,138</u>
(Less)/including:					
Discount on Eurobonds issued				(1,662)	(1,791)
Accrued interest on Eurobonds issued				8,641	7,401
Total issued Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.)				<u>250,742</u>	<u>289,748</u>
Debt securities issued of JSC Kazkommertsbank at the price of 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				52	60
Issued promissory notes of OJSC Moskommertsbank at the price of 88.00%-100.00%		April 2014	4.25-12.00	885	414
Accrued interest expense on issued promissory notes of OJSC Moskommertsbank				-	9
Issued bonds of Moscow Stars B.V. at the price of 99.00%		February 2022	1.94-5.44	3,820	4,633
Accrued interest expense on issued bonds of Moscow Stars B.V.				6	7
				<u>257,934</u>	<u>297,247</u>

* Eurobonds issued by JSC Kazkommertsbank initially.

As at 30 September 2013, accrued interest included in debt securities issued amounted to KZT 8,747 million (31 December 2012: KZT 7,465 million).

During the nine months ended 30 September 2013, the Bank acquired its own bonds for a total nominal amount of KZT 1,111 million (USD 7.22 million) (31 December 2012: KZT 556 million (USD 3.6 million)) and realized previously repurchased bonds for a total nominal amount of KZT 1,056 million (USD 6.87 million) (31 December 2012: KZT 6,119 million (USD 41 million)).

On 16 April 2013, the Bank has repaid Eurobonds issued in April 2003 for the original amount of USD 500 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

16. 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 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 2013, provision for losses on guarantees and other contingencies amounted to KZT 6,007 million (31 December 2012: KZT 2,683 million), where reserves (provisions) for covering losses on granted guarantees and other contingencies amounted to KZT 5,977 million (31 December 2012: KZT 2,673 million) and commission income on granted guarantees amounted to KZT 30 million (31 December 2012: KZT 10 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 2013 and 31 December 2012, the nominal or contract amounts and risk-weighted amounts were:

	30 September 2013 (unaudited) (KZT million)	31 December 2012 (KZT million)
Contingent liabilities and credit commitments:		
Guarantees issued and similar commitments	76,179	79,314
Commitments on loans and unused credit lines	10,184	13,947
Letters of credit and other transaction related to contingent obligations	7,076	3,952
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	25	28
	<u>93,464</u>	<u>97,241</u>
Less collateral in cash	(8,699)	(6,626)
Less provision for guarantees and other contingencies	(5,977)	(2,673)
Total contingent liabilities and credit commitments, net	<u>78,788</u>	<u>87,942</u>
Total risk-weighted amount	<u>75,275</u>	<u>87,440</u>

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 2013, the amount of liabilities on such unused credit lines equals KZT 359,289 million (31 December 2012: KZT 417,634 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 the borrower 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.

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 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.

17. 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 2013 (unaudited) (KZT million)		31 December 2012 (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	1,089	2,896,815	1,015	2,840,979
- key management personnel of the entity or its parent	1,089		1,015	
Allowance for impairment losses on loans to customers	(128)	(964,985)	(61)	(923,287)
- key management personnel of the entity or its parent	(128)		(61)	
Customer accounts	5,596	1,775,336	5,359	1,553,576
- parent company	1,626		1,467	
- entities with joint control or significant influence over the entity	279		349	
- key management personnel of the entity or its parent	3,625		3,494	
- other related parties	66		49	
Commitments on loans and unused credit lines	128	10,184	110	13,947
- key management personnel of the entity or its parent	128		110	
Guarantees issued and similar commitments	-	76,179	12	79,314
- key management personnel of the entity or its parent	-		12	

Included in the interim consolidated income statement for the nine months ended 30 September 2013 and 2012 are the following amounts which arose due to transactions with related parties:

	Nine months ended 30 September 2013 (unaudited) (KZT million)		Nine months ended 30 September 2012 (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	52	172,651	54	172,392
- <i>key management personnel of the entity or its parent</i>	52		54	
Interest expense	(227)	(80,073)	(202)	(80,855)
- <i>parent company</i>	(52)		(47)	
- <i>entities with joint control</i>	(2)		-	
- <i>key management personnel of the entity or its parent</i>	(173)		(155)	
Operating expenses	(401)	(23,918)	(889)	(24,813)
- <i>Short-term employee benefits</i>	(401)	(12,411)	(889)	(13,377)
Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(45)	(66,508)	(3)	(68,919)
- <i>key management personnel of the entity or its parent</i>	(45)		(3)	

Key management personnel compensation for the nine months ended 30 September 2013 and 2012 is represented by short-term employee benefits.

As at 30 September 2013 and 31 December 2012, the Group does not pledge any assets in connection with guarantees issued to management.

18. 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 products.

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	As at and for the nine months ended 30 September 2013
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	26,284	139,900	5,597	870	-	-	172,651
Internal interest income	36,597	27,007	120,166	-	-	(183,770)	-
External interest expenses	(29,769)	(24,668)	(25,636)	-	-	-	(80,073)
Internal interest expenses	(13,884)	(93,553)	(76,333)	-	-	183,770	-
Net interest income before provision for impairment losses on interest bearing assets	19,228	48,686	23,794	870	-	-	92,578
Recovery of provision/(provision) for impairment losses on interest bearing assets	971	(58,836)	132	(46)	-	-	(57,779)
NET INTEREST INCOME/(EXPENSE)	20,199	(10,150)	23,926	824	-	-	34,799
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	-	3,155	(93)	-	-	3,062
Net gain/(loss) on foreign exchange and precious metals operations	682	211	(323)	83	-	-	653
Fee and commission income	11,976	7,375	3,587	-	-	-	22,938
Fee and commission expense	(5,268)	(474)	(346)	(123)	-	-	(6,211)
Net realized gain on investments available-for- sale	-	-	177	5	-	-	182
Dividend income	-	-	259	32	-	-	291
Other income	93	1,838	115	4,827	-	-	6,873
NET NON-INTEREST INCOME	7,483	8,950	6,624	4,731	-	-	27,788
OPERATING EXPENSES	(13,728)	(6,914)	(1,447)	(1,829)	-	-	(23,918)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	13,954	(8,114)	29,103	3,726	-	-	38,669
Provision for impairment losses on other transactions	-	(2,259)	-	(3,229)	-	-	(5,488)
Provision for guarantees and other contingencies	-	(3,241)	-	-	-	-	(3,241)
PROFIT/(LOSS) BEFORE INCOME TAX	13,954	(13,614)	29,103	497	-	-	29,940
Segment assets	302,057	1,787,006	538,214	71,790	10,074	(74,081)	2,635,060
Segment liabilities	663,512	1,165,889	515,481	18,950	4,914	(64,364)	2,304,382

	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/(EXPENSE)	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 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 31 December 2012	243,952	1,779,516	416,700	67,029	11,215	(73,600)	2,444,812
Segment liabilities as at 31 December 2012	632,079	931,481	586,930	14,800	1,038	(29,485)	2,136,843

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value:

Loans and advances to and from banks and other financial institutions and other borrowed funds – for assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value in relation to repurchase and reverse repurchase agreements was estimated as the fair value of collateral pledged and received. For all other loans and advances and other borrowed funds the fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates and making adjustments for credit risk of the Group or counterparty.

Loans to customers – the estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Debt securities issued – market values have been used, where available, to determine the fair value of debt securities traded on an active market.

Subordinated debt – market values have been used, where available, to determine the fair value of subordinated bonds issued and perpetual debt.

The fair value of financial assets and liabilities that are not carried at fair value in the interim consolidated statement of financial position compared with the corresponding carrying amount in the interim consolidated financial statements of the Group are presented below:

	30 September 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	(unaudited) (KZT million)		(KZT million)	
Financial assets:				
Loans and advances to banks and other financial institutions	123,149	123,236	146,703	146,703
Loans to customers	1,931,830	1,940,815	1,917,692	1,929,541
Investments held to maturity	6,939	6,852	6,937	6,911
Financial liabilities:				
Loans and advances from banks and financial institutions	82,938	83,203	110,477	108,766
Customer accounts	1,775,336	1,773,868	1,553,576	1,540,809
Debt securities issued	257,934	240,877	297,247	280,787
Other borrowed funds	15,498	14,193	18,631	15,838
Subordinated debt	125,003	125,399	122,150	122,385

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the interim consolidated statement of financial position. The carrying amounts of cash and balances with national (central) banks, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

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 the 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 the nine months ended 30 September 2013 are not significantly different from the Group's risk management policies disclosed in the audited consolidated financial statements for the year ended 31 December 2012.

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 2013 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	621	33	27,712	68,382	30,540	-	127,288
Loans and advances to banks and other financial institutions	103,706	2,352	8,078	8,291	82	-	122,509
Loans to customers	8,435	23,950	445,138	662,277	416,098	-	1,555,898
Debt securities included in investments available-for-sale	-	-	1,093	7,382	7,947	-	16,422
Investments held to maturity	445	76	838	4,325	1,150	-	6,834
Total interest bearing assets	113,207	26,411	482,859	750,657	455,817	-	1,828,951
Cash and balances with national (central) banks	235,284	-	-	-	2,029	-	237,313
Precious metals	2,801	-	-	-	-	-	2,801
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	5,631	5,631
Equity securities in the investments available-for-sale	-	-	-	-	-	1,068	1,068
Accrued interest income on interest-bearing assets	867	19,672	179,612	105,356	73,382	-	378,889
Other financial assets	3,244	590	2,142	467	54	-	6,497
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	355,403	46,673	664,613	856,480	531,282	6,699	2,461,150
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	55,540	1,127	11,526	14,143	-	-	82,336
Customer accounts	108,572	152,876	546,858	281,417	122,455	-	1,212,178
Debt securities issued	143	-	30,236	217,796	1,012	-	249,187
Other borrowed funds	-	-	-	15,281	-	-	15,281
Subordinated debt	-	-	15,381	87,900	12,353	6,990	122,624
Total interest bearing liabilities	164,255	154,003	604,001	616,537	135,820	6,990	1,681,606
Financial liabilities at fair value through profit or loss	186	1,568	75	-	732	-	2,561
Customer accounts	552,417	-	-	-	-	-	552,417
Dividends payable	7	577	-	-	-	-	584
Accrued interest expense on interest-bearing liabilities	4,945	7,261	9,723	756	-	-	22,685
Other financial liabilities	1,200	421	6,266	8,356	53	-	16,296
TOTAL FINANCIAL LIABILITIES	723,010	163,830	620,065	625,649	136,605	6,990	2,276,149
Liquidity gap	(367,607)	(117,157)	44,548	230,831	394,677		
Interest sensitivity gap	(51,048)	(127,592)	(121,142)	134,120	319,997		
Cumulative interest sensitivity gap	(51,048)	(178,640)	(299,782)	(165,662)	154,335		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(2.1%)	(7.3%)	(12.2%)	(6.7%)	6.3%		
Contingent liabilities and credit commitments	4,132	17,552	21,659	35,513	4,278	121	

	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 2012 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	682	8,374	8,855	51,768	40,538	-	110,217
Loans and advances to banks and other financial institutions	125,830	1,610	6,718	12,106	75	-	146,339
Loans to customers	11,862	70,560	364,394	692,385	406,880	-	1,546,081
Debt securities included in investments available-for-sale	7	81	970	5,396	7,029	-	13,483
Investments held to maturity	-	-	413	5,556	841	-	6,810
Total interest bearing assets	138,381	80,625	381,350	767,211	455,363	-	1,822,930
Cash and balances with national (central) banks	103,523	-	-	-	2,974	-	106,497
Precious metals	3,823	-	-	-	-	-	3,823
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	6,355	6,355
Equity securities in the investments available-for-sale	-	-	-	-	-	1,717	1,717
Accrued interest income on interest-bearing assets	34,324	58,728	66,887	213,817	1,078	-	374,834
Other financial assets	3,175	94	1,500	62	-	-	4,831
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	283,226	139,447	449,737	981,090	459,415	8,072	2,320,987
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,525	880	5,852	28,007	-	-	110,264
Customer accounts	143,956	197,364	581,501	122,572	100,196	-	1,145,589
Debt securities issued	155	23	46,194	198,547	44,863	-	289,782
Other borrowed funds	-	-	16	18,229	-	-	18,245
Subordinated debt	-	-	-	101,417	12,258	6,851	120,526
Total interest bearing liabilities	219,636	198,267	633,563	468,772	157,317	6,851	1,684,406
Financial liabilities at fair value through profit or loss	783	1,338	1,242	4,412	1,102	-	8,877
Customer accounts	395,143	-	-	-	-	-	395,143
Dividends payable	5	-	35	-	-	-	40
Accrued interest expense on interest-bearing liabilities	4,120	8,251	9,426	729	6	-	22,532
Other financial liabilities	2,320	155	5,002	-	-	-	7,477
TOTAL FINANCIAL LIABILITIES	622,007	208,011	649,268	473,913	158,425	6,851	2,118,475
Liquidity gap	(338,781)	(68,564)	(199,531)	507,177	300,990		
Interest sensitivity gap	(81,255)	(117,642)	(252,213)	298,439	298,046		
Cumulative interest sensitivity gap	(81,255)	(198,897)	(451,110)	(152,671)	145,375		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(3.5%)	(8.6%)	(19.4%)	(6.6%)	6.3%		
Contingent liabilities and credit commitments	5,315	6,304	40,061	26,590	4,751	242	

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.

21. SUBSEQUENT EVENTS

Up to the date of issue of this condensed interim consolidated financial information the Management have not identified any significant subsequent events which require disclosure.