



CENTERCREDIT

**JOINT-STOCK COMPANY
BANK CENTERCREDIT**

**EXPLANATORY NOTE
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
31 MARCH 2018**

JOINT-STOCK COMPANY BANK CENTERCREDIT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 MARCH 2018
(in millions of Kazakhstani tenge, unless otherwise stated)

1. ORGANIZATION

JSC Bank CenterCredit (the “Bank”) is a Joint Stock Company, which has been incorporated and carrying out its operations in the Republic of Kazakhstan since 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The National Bank of the Republic of Kazakhstan (the “NBRK”) is a regulatory authority of the Bank. The Bank conducts its business under the license number 1.2.25/195/34, renewed on 28 January 2015.

The Bank's principal activity consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund.

The registered address is 38, Al Farabi Ave., Almaty, Republic of Kazakhstan.

As at 31 March 2018 and 31 December 2017, the Bank had 19 branches in the Republic of Kazakhstan.

As at 31 March 2018 and 31 December 2017, the number of ordinary shares was allocated as follows:

	31 March 2018	31 December 2017
	%	%
B.R. Baiseitov	48.07	43.89
V.S. Lee	10.05	
Tsesnabank JSC	-	29.56
Kookmin Bank	-	-
IFC	-	-
Other (individually hold less than 5%)	41.88	26.55
	100.00	100.00

On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank's issued ordinary share capital. As at 31 December 2016, Kookmin Bank's share was 41.93% and the International Financial Corporation's (“IFC”) share was 10% of the issued capital of the Bank.

In March 2017, the Bank's shareholder Mr. Bakhytbek Rymbekovich Baiseitov bought the Bank's ordinary shares owed by the IFC in the amount of 10% of the total amount of shares placed by the Bank. The date when changes were registered in the shareholder register is 15 March 2017.

On 17 April 2017, the membership of the Bank's shareholders has changed as follows: the shareholder of the Bank - Kookmin Bank, which owned 41.93% of the total amount of shares placed by the Bank sold its ordinary and preference shares to JSC Tsesna Bank, JSC Financial Holding “Tsesna” and Bakhytbek Rymbekovich Baiseitov.

On 13 February 2018, JSC Bank CenterCredit announced repurchase of 100% of the placed preference shares convertible into ordinary shares of Bank Center Credit JSC on the following terms:

- number of shares being repurchased – 39,249,255 (100% of placed preference shares);
- Price of one share is KZT 300 (three hundred) per share, which has been determined in accordance with the methodology of determination of a share price of Bank CenterCredit JSC in case of share repurchase by the Bank, which was approved by the general meeting of shareholders on 26 May 2006;
- Deadline for submission of applications and repurchase of shares is 14 March 2018, inclusive.

As at 14 March 2018, the procedure of repurchase of the Bank's preference shares was completed: 39,044,841 preference shares were repurchased, including 8,366,560 preference shares repurchased from JSC Tsesnabank and 27,067,109 preference shares repurchased from JSC Tsesna Financial Holding.

On 14 March 2018, a block of the Bank's ordinary shares owned by JSC Tsesnabank comprising 29.56% of total number of ordinary shares placed by the Bank, was sold to major participants of JSC Bank CenterCredit: Mr. Bakhytbek Rymbekovich Baiseitov, Mr. Vladislav Sedinovich Lee and a group of individuals (minority shareholders). Based on the results of the transaction, the shares of Mr. Bakhytbek Rymbekovich Baiseitov and Mr. Vladislav Sedinovich Lee amounted to 48.07% and 10.05% of the total number of ordinary shares placed by the Bank, respectively.

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The consolidated financial statements were authorised for issue by the Management Board of JSC Bank CenterCredit on 14 May 2018.

2. BASIS OF PREPARATION

Fundamental accounting principles

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank also prepared the consolidated financial statements for the year ended 31 December 2017 in accordance with the IFRS, which can be obtained at the Bank's registered office.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale financial assets are stated at fair value, buildings and constructions are measured at fair value, which increase is stated in the property revaluation reserve.

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest million.

(d) IFRS 9 "Financial Instruments"

The Bank has applied IFRS 9 in its consolidated financial statements for the three months ended 31 March 2018.

Based on the results of assessment, the total effect (net of tax) from the adoption of IFRS 9 is stated in the opening balance of the Bank's equity at 1 January 2018 as equal to KZT 20,6 billion, including:

- decrease by KZT 17 billion related to application of the impairment-related requirements;
- decrease by KZT 3 billion related to application of requirements related to modified assets other than requirements related to impairment;
- increase by KZT 600 million related to recognition of the effect of deferred taxes and increase in the current income tax by 3,4 billion.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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3. NET INTEREST INCOME

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Interest income:		
Interest income on financial assets recorded at amortised cost:		
- interest income on unimpaired financial assets	18,302	16,943
- interest income on impaired financial assets	2,711	4,539
Interest income on financial assets recorded at fair value through profit or loss	<u>3,352</u>	<u>2,732</u>
Total interest income	<u>24,365</u>	<u>24,214</u>
Interest income on financial assets recorded at amortised cost comprises:		
Interest on loans to customers and banks	20,699	20,762
Interest on investments held to maturity	(7)	425
Interest on due from banks	177	212
Penalties on loans to customers and banks	<u>144</u>	<u>83</u>
Total interest income on financial assets recorded at amortised cost	<u>21,013</u>	<u>21,482</u>
Interest income on financial assets recorded at fair value:		
Interest on investments available-for-sale	2,976	2,446
Interest on investments initially recorded at fair value through profit or loss	<u>376</u>	<u>286</u>
Total interest income on financial assets recorded at fair value	<u>3,352</u>	<u>2,732</u>
Total interest income	<u>24,365</u>	<u>24,214</u>
Interest expense:		
Interest expense on financial liabilities recorded at amortised cost	<u>(16,013)</u>	<u>(16,380)</u>
Total interest expense	<u>(16,013)</u>	<u>(16,380)</u>
Interest expense on financial liabilities recorded at amortised cost:		
Interest on customer and bank accounts	(11,416)	(12,242)
Interest on due to banks and financial institutions	(1,654)	(1,789)
Interest on subordinated bonds	(1,990)	(1,535)
Interest on debt securities issued	<u>(953)</u>	<u>(814)</u>
Total interest expense on financial liabilities recorded at amortised cost	<u>(16,013)</u>	<u>(16,380)</u>
Net interest income before provisions for impairment losses on interest-bearing financial assets	<u>8,352</u>	<u>7,834</u>

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4. PROVISION FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in provision for impairment losses on interest-bearing assets are as follows:

	Corporate loans	Medium- sized enterprises	Mortgage loans	Consumer loans	Car loans	Business development	Total
31 December 2016	77,955	2,191	2,585	4,140	32	6,551	93,454
Charge/recovery of allowance	6,699	362	1,558	1,999	30	(3,694)	6,954
Recovery of assets previously written-off	5	80	129	150	5	35	404
Foreign exchange difference	(1,036)	(30)	(35)	(55)	(1)	(87)	(1,244)
Write-off of assets	-	-	(279)	(206)	-	(295)	(780)
Unwinding of discount*	(2,314)	(229)	(513)	(688)	(10)	(428)	(4,182)
31 March 2017	81,309	2,374	3,445	5,340	56	2,082	94,606
31 December 2017	95,177	2,757	4,450	6,892	60	4,515	113,851
Charge/recovery of allowance	4,829	(577)	264	507	(5)	190	5,208
Recovery of assets previously written-off	70	12	199	80	5	24	390
Foreign exchange difference	(2,091)	(60)	(97)	(152)	(2)	(100)	(2,502)
Write-off of assets	-	-	(52)	(208)	-	(16)	(276)
Unwinding of discount*	(1,414)	(10)	(1)	(15)	(1)	(23)	(1,464)
Amount of additional provisions created upon transition to IFRS 9	13,275	283	2,177	526	39	609	16,909
31 March 2018	109,846	2,405	6,940	7,630	96	5,199	132,116

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5. NET GAIN/LOSS ON OPERATIONS WITH FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Net gain/loss on financial assets and liabilities at fair value through profit or loss:		
Unrealised (loss)/gain from adjustment of fair value of trading financial assets	323	405
Realised gain/(loss) on trading operations	132	39
Realised (loss)/gain on operations with derivative financial instruments	6	(1,431)
Unrealised gain/(loss) on operations with derivative financial instruments	(928)	(2,928)
Total net gain/loss on operations with financial assets and liabilities at fair value through profit or loss	(467)	(3,915)

6. NET REALISED GAIN/(LOSS) FROM SALE AND IMPAIRMENT OF INVESTMENTS RECORDED AT FAIR VALUE

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Net realized gain/(loss) on investments available-for-sale	89	191
Gain/(loss) from impairment of investments available-for-sale	83	(42)
Total net realized gain/(loss) from disposal and impairment of investments available-for-sale	172	149

7. NET GAIN/LOSS ON FOREIGN EXCHANGE OPERATIONS

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Dealing, net	1,263	1,182
Translation differences, net	1,160	4,357
Total net gain on foreign exchange operations	2,423	5,539

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8. FEE AND COMMISSION INCOME

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Fee and commission income:		
Settlements	1,405	1,408
Payment cards	1,397	1,170
Cash operations	975	1,009
Guarantees issued	995	701
Foreign exchange operations	1	248
Internet-banking services	165	170
Custodian activities	65	59
Documentary operations	22	28
Trust operations	5	7
Other	193	136
Total fee and commission income	5,223	4,936

9. OPERATING EXPENSES

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Wages and salaries	(3,043)	(2,896)
Contributions in Deposit Insurance Fund	(560)	(566)
Taxes other than income tax	(719)	(661)
Depreciation and amortisation	(643)	(628)
Administrative expenses	(501)	(536)
Operating leases	(375)	(446)
Equipment repair and maintenance	(73)	(422)
Security and alarm expenses	(204)	(170)
Collection expenses	(103)	(201)
Telecommunications	(155)	(134)
Professional services	(19)	(61)
Business trip expenses	(47)	(47)
Advertising costs	(31)	(20)
Representation costs	(8)	(6)
Other expenses	(137)	(57)
Total operating expenses	(6,618)	(6,851)

10. OTHER INCOME / (EXPENSE)

	For three months ended 31 March 2018 (unaudited)	For three months ended 31 March 2017 (unaudited)
Net income from sale of inventories	32	94
Other	(325)	-
Total other income/expense	(293)	94

Due to transition to IFRS 9, starting from 01 January 2018 amounts of income and expenses related to loan modifications will be reflected on accounts of other income/(expense).

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11. EARNINGS PER SHARE

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

	For three months ended 31 March 2018	For three months ended 31 March 2017
Basic earnings per share		
Net profit attributable to shareholders of the Bank	2,142	1,283
Less: profit from discontinued operations used in calculation of basic earnings per share from discontinued operations	-	-
Less: additional dividends payable upon full distributions of profit to the preferred share holders	(3)	(250)
Net earnings attributable to ordinary shareholders	2,139	1,033
Weighted average number of ordinary shares for purposes of basic earnings per share	161,082,919	162,045,071
Basic earnings per share (KZT)	13.28	6.37
Diluted earnings per share		
Net earnings attributable to ordinary shareholders	2,139	1,033
Add: additional dividends payable upon full distributions of profit to the preferred share holders	3	250
Earnings used in calculation of diluted earnings per share	2,142	1,283
Weighted average number of ordinary shares	161,082,919	162,045,071
Shares deemed to be issued:		
Weighted average number of ordinary shares that would be issued for the convertible preferred shares	204,414	39,249,255
Weighted average number of ordinary shares for purposes of calculation of diluted earnings per share	161,287,333	201,294,326
Diluted earnings per share (KZT)	13.28	6.37

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

The book value of one share per each class of shares as at 31 March 2018 and 2017 is as follows:

Class of shares	31 March 2018			31 March 2017		
	Outstanding shares (number of shares)	Amount for calculation of book value KZT million	Book value of one share, KZT	Outstanding shares (number of shares)	Amount for calculation of book value KZT million	Book value of one share, KZT
Ordinary shares	161,251,227	98,077	608	161,952,325	84,887	524
Preference shares	204,414	61	298	39,249,255	11,775	300
		<u>98,138</u>			<u>96,662</u>	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at the reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at the reporting date.

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

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12. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash on hand	38,795	33,159
Nostro accounts with NBRK	94,097	127,720
Nostro accounts with other banks		
- rated AA- to AA+	2,689	6,314
- rated A- to A+	15,905	8,426
- rated BBB- to BBB+	1,228	3,506
- rated BB- to BB+	1,270	1,077
- rated B- to B+	47	188
- not rated	215	650
Total Nostro accounts with other banks	21,354	20,161
Term deposits with other banks		
- rated BBB- to BBB+	2,886	-
- rated BB- to BB+	-	3,323
- rated B- to B+	7,972	3,693
Total current accounts and term deposits with other banks	10,858	7,016
Total cash and cash equivalents	165,104	188,056

The credit ratings are presented by reference to the credit ratings of Standard & Poor's ratings agency or analogues of similar international rating agencies.

No cash and cash equivalents are impaired or past due as at 31 March 2018 and 31 December 2017.

Minimum reserve requirements

As at 31 March 2018, minimum reserve requirements are calculated in accordance with regulations issued by the NBRK. To meet the requirements the Bank places cash in reserve assets, which should be maintained at the level not less than average of cash on hand in the national currency and balances on current account with the NBRK in the national currency for a 4-week period, calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Bank's liabilities. As at 31 March 2018, the minimum reserve requirements amounted to KZT 12,419 million (31 December 2017: KZT 11,599 million), and reserve asset amounted to KZT 26,255 million (31 December 2017: KZT 23,932 million).

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13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	Nominal interest rate, %	31 March 2018	Nominal interest rate, %	31 December 2017
ASSETS				
Derivative financial instruments				
Foreign currency contracts	-	17,749	-	19,495
		17,749		19,495
Trading securities				
<i>Debt securities</i>				
Government bonds of the Republic of Kazakhstan	3.88-9.60	4,742	3.87-9.60	3,086
Corporate bonds	4.38-15.00	8,888	4.63-15.00	9,278
Discounted notes		209		
Equity securities*				
Shares of Kazakhstan corporations		649		637
Shares of International corporations		21		22
		14,509		13,023
Pledged under sale and repurchase agreements				
- Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.88-9.20	1,141	9.50-9.70	472
Corporate bonds	12.50-15.00	1,087	11.20-11.50	602
Discounted notes		434		-
		34,920		33,592
LIABILITIES				
Derivative financial instruments				
Foreign currency contracts	-	(8,283)	-	(9,199)
		(8,283)		(9,199)

The credit quality of debt securities at fair value through profit or loss balances may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 31 March 2018:

	Corporate bonds	Discounted notes	Government bonds of the Republic of Kazakhstan	Total
NBRK	-	643	-	643
- rated from BBB- to BBB+	-	-	5,883	5,883
- rated from BB- to BB+	1,890	-	-	1,890
- rated from B- to B+	8,085	-	-	8,085
	9,975	643	5,883	16,501

The credit quality of debt securities at fair value through profit or loss balances may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 31 December 2017:

	Corporate bonds	Government bonds of the Republic of Kazakhstan	Total
- rated from BBB- to BBB+	479	3,558	4,037
- rated from BB- to BB+	1,332	-	1,332
- rated from B- to B+	8,069	-	8,069
	9,880	3,558	13,438

None of the financial assets at fair value through profit and loss are past due.

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14. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Nominal interest rate, %	31 March 2018	Nominal interest rate, %	31 December 2017
<i>Debt securities</i>				
Government bonds of the Republic of Kazakhstan	3.88-10.20	27,359	3.87-11.00	31,840
Corporate bonds	3.88-11.50	65,969	3.88-11.00	48,958
Discounted NBRK notes	-	66,876	-	65,393
<i>Equity securities</i>				
Shares of Kazakhstan corporations	-	5,418	-	131
Shares of International corporation	-	20	-	20
Pledged under sale and repurchase agreements				
- Government bonds of the Republic of Kazakhstan	8.50-8.60	7,261	4.00-8.99	3,793
		172,903		150,135

The credit quality of debt securities at fair value through other comprehensive income may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 31 March 2018:

	Corporate bonds	Discounted NBRK bonds	Government bonds of the Republic of Kazakhstan	Total
<i>Not overdue</i>				
- NBRK	-	66,876	-	66,876
- rated from BBB- to BBB+	12,049	-	34,620	46,669
- rated from BB- to BB+	50,428	-	-	50,428
- rated from B- to B+	3,492	-	-	3,492
	65,969	66,876	34,620	167,465

The credit quality of debt securities at fair value through other comprehensive income may be summarised based on Standard and Poor's ratings or other international rating agencies as follows at 31 December 2017:

	Corporate bonds	Discounted NBRK bonds	Government bonds of the Republic of Kazakhstan	Total
<i>Not overdue</i>				
- NBRK	-	65,393	-	65,393
- rated from BBB- to BBB+	7,313	-	35,633	42,946
- rated from BB- to BB+	38,303	-	-	38,303
- rated from B- to B+	3,342	-	-	3,342
	48,958	65,393	35,633	149,984

No investments at fair value through other comprehensive income are overdue or impaired.

15. DUE FROM BANKS

	31 March 2018	31 December 2017
Term deposit		
- current account with NBRK	1,865	1,275
- rated from A- to A+	3	1,656
- rated from BBB- to BBB+	-	-
- rated from BB- to BB+	1,461	1,526
- rated from B- to B+	15,051	8,638
- not rated	1,606	45
Total term deposits	19,986	13,140

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies.

None of the items of loans and advances to banks are overdue or impaired as at 31 March 2018 and 31 December 2017.

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As at 31 March 2018 a current account with the NBRK consists of funds of KZT 1,699 million (31 December 2017: KZT 717 million) received from the Development Bank of Kazakhstan JSC (“DBK JSC”) and KZT 166 million (31 December 2017: KZT 558 million) received from DAMU Entrepreneurship Development Fund JSC (“EDF DAMU JSC”) in accordance with the loan agreements with DBK JSC and EDF DAMU JSC. Funds will be distributed to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK JSC and EDF DAMU JSC, respectively.

16. LOANS TO CUSTOMERS AND BANKS

	31 March 2018	31 December 2017
Loans to customers	897,472	890,230
Net investment in finance lease	-	4,156
Accrued interest	34,534	36,270
	932,006	930,656
Less: impairment allowance	(132,116)	(113,851)
Total loans to consumers	799,890	816,805
Loans to banks	8	3
Accrued interest	-	-
Less: impairment allowance	-	-
Total loans to banks	8	3
Loans under reverse repurchase agreements	69,494	14,443
Total loans to consumers and banks	869,392	831,251

Movement in impairment allowance for loans to customers and banks for three months ended 31 March 2018 and 31 March 2017 is disclosed in Note 4.

The following table provides information by types of loan products as at 31 March 2018:

	Gross amount	Impairment allowance	Carrying amount
Loans to corporate customers			
Corporate loans	528,524	(109,846)	418,678
Small and medium-sized enterprises	50,918	(2,405)	48,513
Net investment in finance lease	-	-	-
Loans to retail customers			
Mortgage loans	147,490	(6,940)	140,550
Consumer loans	113,811	(7,630)	106,181
Business development	85,231	(5,199)	80,032
Car loans	6,032	(96)	5,936
	932,006	(132,116)	799,890

The following table provides information by types of loan products as at 31 December 2017:

	Gross amount	Impairment allowance	Carrying amount
Loans to corporate customers			
Corporate loans	511,156	(95,177)	415,979
Small and medium-sized enterprises	65,368	(2,757)	62,611
Net investment in finance lease	4,156	-	4,156
Loans to retail customers			
Mortgage loans	146,468	(4,450)	142,018
Consumer loans	113,905	(6,892)	107,013
Business development	84,533	(4,515)	80,018
Car loans	5,070	(60)	5,010
	930,656	(113,851)	816,805

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Credit quality of corporate loans and loans to small and medium-sized enterprises

Analysis by credit quality of corporate loans and loans to small and medium-sized enterprises outstanding as a 31 March 2018 and 31 December 2017 was as follows:

	31 March 2018	31 декабря 2017 года
Loans to corporate customers		
Corporate loans		
Individually unimpaired loans assessed on a collective basis:		
Standard loans, not overdue	302,992	268,917
Overdue:		
- overdue less than 30 days	2,131	4,181
- overdue 31-60 days	259	-
- overdue 61-90 days	568	-
Total individually unimpaired loans assessed on a collective basis	<u>305,950</u>	<u>273,098</u>
Impaired loans measured on a collective basis		
Not overdue loans	-	8,835
Total impaired loans assessed on a collective basis	<u>-</u>	<u>8,835</u>
Individually impaired loans:		
Not overdue	103,064	139,074
Overdue:		
- overdue less than 30 days	33,729	42,180
- overdue 31-60 days	52,762	9,113
- overdue 61-90 days	5,124	516
- overdue 91-180 days	1,822	14,247
- overdue more than 180 days	26,073	24,093
Total individually impaired loans	<u>222,574</u>	<u>229,223</u>
Total corporate loans	<u>528,524</u>	<u>511,156</u>
Impairment allowance for corporate loans	<u>(109,846)</u>	<u>(95,177)</u>
Net corporate loans	<u>418,678</u>	<u>415,979</u>
Small and medium-sized enterprises		
Individually unimpaired loans assessed on a collective basis:		
Not overdue	35,561	49,360
Overdue:		
- overdue less than 30 days	1,304	1,775
- overdue 31-60 days	849	491
- overdue 61-90 days	16	1,017
- overdue 91-180 days	-	728
- overdue more than 180 days	-	462
Total individually unimpaired loans assessed on a collective basis	<u>37,730</u>	<u>53,833</u>
Impaired loans assessed on a collective basis		
Not overdue	4,677	3,626
Overdue:		
- overdue less than 30 days	484	1,851
- overdue 31-60 days	1,335	128
- overdue 61-90 days	83	522
- overdue 91-180 days	1,807	1,336
- overdue more than 180 days	4,802	4,072
Total impaired loans assessed on a collective basis	<u>13,188</u>	<u>11,535</u>
Total small and medium-sized enterprises	<u>50,918</u>	<u>65,368</u>
Impairment allowance for loans to small and medium-sized enterprises	<u>(2,405)</u>	<u>(2,757)</u>
Net loans to small and medium-sized enterprises	<u>48,513</u>	<u>62,611</u>
Total corporate loans and loans to small and medium-sized enterprises	<u>579,442</u>	<u>576,524</u>
Total impairment allowance for corporate loans and loans to small and medium-sized enterprises	<u>(112,251)</u>	<u>(97,934)</u>
Total net corporate loans and loans to small and medium-sized enterprises	<u>467,191</u>	<u>478,590</u>

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Analysis by credit quality of loans to retail customers outstanding as at 31 March 2018 and 31 December 2017 was as follows:

	31 March 2018	31 December 2017
Loans to retail customers		
Mortgage loans		
Individually unimpaired loans assessed on a collective basis:		
Not overdue:	108,237	106,549
Overdue:		
- overdue less than 30 days	5,587	6,014
- overdue 31-60 days	2,973	2,243
- overdue 61-90 days	1,488	894
- overdue 91-180 days	-	821
- overdue more than 180 days	-	-
Total individually unimpaired loans assessed on a collective basis	<u>118,285</u>	<u>116,521</u>
Impaired loans assessed on a collective basis		
Not overdue:	4,995	6,825
Overdue:		
- overdue less than 30 days	2,012	4,481
- overdue 31-60 days	3,445	859
- overdue 61-90 days	809	1,592
- overdue 91-180 days	4,102	1,129
- overdue more than 180 days	10,085	11,673
Total impaired loans assessed on a collective basis	<u>25,448</u>	<u>26,559</u>
Individually impaired loans		
Overdue:		
- overdue less than 30 days	-	2,011
- overdue 31-60 days	291	-
- overdue 61-90 days	304	749
- overdue 91-180 days	2,352	-
- overdue more than 180 days	810	628
Total individually impaired loans	<u>3,757</u>	<u>3,388</u>
Total mortgage loans	<u>147,490</u>	<u>146,468</u>
Impairment allowance for mortgage loans	(6,940)	(4,450)
Mortgage loans, net	<u>140,550</u>	<u>142,018</u>
Consumer loans		
Individually unimpaired loans assessed on a collective basis:		
Not overdue:	75,569	74,545
Overdue:		
- overdue less than 30 days	4,112	4,806
- overdue 31-60 days	1,391	868
- overdue 61-90 days	814	861
- overdue 91-180 days	11	1,621
- overdue more than 180 days	-	-
Total individually unimpaired loans assessed on a collective basis	<u>81,897</u>	<u>82,701</u>
Impaired loans assessed on a collective basis		
Not overdue	3,750	3,898
Overdue:		
- overdue less than 30 days	804	2,705
- overdue 31-60 days	3,594	304
- overdue 61-90 days	232	1,181
- overdue 91-180 days	3,707	2,145
- overdue more than 180 days	14,964	15,681
Total impaired loans assessed on a collective basis	<u>27,051</u>	<u>25,914</u>
Individually impaired loans		
Overdue:		
- overdue less than 30 days	-	576
- overdue 31-60 days	540	-
- overdue 61-90 days	-	2,085
- overdue 91-180 days	1,805	-
- overdue more than 180 days	2,518	2,629
Total individually impaired loans	<u>4,863</u>	<u>5,290</u>
Total consumer loans	<u>113,811</u>	<u>113,905</u>
Impairment allowance for consumer loans	(7,630)	(6,892)
Consumer loans, net	<u>106,181</u>	<u>107,013</u>

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	31 March 2018	31 December 2017
Loans to individuals, continued		
Business development		
Individually unimpaired loans assessed on a collective basis:		
Not overdue loans	60,607	59,952
Overdue loans		
- overdue less than 30 days	3,086	1,420
- overdue 31-60 days	1,316	814
- overdue 61-90 days	973	1,162
- overdue 91-180 days	-	1,406
- overdue more than 180 days	9	29
Total individually unimpaired loans assessed on a collective basis	<u>65,991</u>	<u>64,783</u>
Impaired loans assessed on a collective basis		
Not overdue	1,169	2,413
Overdue:		
- overdue less than 30 days	134	850
- overdue 31-60 days	845	88
- overdue 61-90 days	144	621
- overdue 91-180 days	1,484	2,077
- overdue more than 180 days	13,353	11,474
Total impaired loans assessed on a collective basis	<u>17,129</u>	<u>17,523</u>
Individually impaired loans		
Not overdue	-	-
Overdue:		
- overdue 31-60 days	1,029	338
- overdue 61-90 days	-	1,075
- overdue 91-180 days	324	-
- overdue more than 180 days	758	814
Total individually impaired loans	<u>2,111</u>	<u>2,227</u>
Total for business development	85,231	84,533
Impairment allowance on loans for business development	(5,199)	(4,515)
Net business development	80,032	80,018
Auto loans		
Individually unimpaired loans assessed on a collective basis:		
Not overdue	5,626	4,624
Overdue:		
- overdue less than 30 days	67	48
- overdue 31-60 days	6	29
- overdue 61-90 days	8	-
- overdue 91-180 days	-	23
- overdue more than 180 days	-	-
Total individually unimpaired loans assessed on a collective basis	<u>5,707</u>	<u>4,724</u>
Impaired loans assessed on a collective basis		
Not overdue	-	5
Overdue:		
- overdue less than 30 days	-	1
- overdue 31-60 days	26	9
- overdue 61-90 days	-	4
- overdue 91-180 days	10	5
- overdue more than 180 days	289	322
Total impaired loans assessed on a collective basis	<u>325</u>	<u>346</u>
Total auto loans	6,032	5,070
Impairment allowance on auto loans	(96)	(60)
Net auto loans	5,936	5,010
Total loans to individuals	352,564	349,976
Total impairment allowance on loans to individuals	(19,865)	(15,917)
Total loans to individuals, net	332,699	334,059
Total loans to corporate customers, loans to small and medium-sized companies, loans to individuals	932,006	926,500
Total impairment allowance on loans to corporate customers, loans to small and medium-sized companies, loans to individuals	(132,116)	(113,851)
Total loans to corporate customers, loans to small- and medium-sized companies, loans to individuals, net of impairment allowance	799,890	812,649

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Analysis of collateral and other credit enhancements

Loans to corporate customers

Loans to corporate customers are subject to individual and collective credit appraisal and impairment testing. The general creditworthiness of a corporate customer and small and medium-sized customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers and small and medium-sized customers to provide it.

The following tables provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral.

31 March 2018	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
Unimpaired and collectively impaired loans				
Cash and deposits	10,245	10,245	-	-
Traded securities	-	-	-	-
Real estate	252,176	252,176	-	-
Motor vehicles	1,216	1,216	-	-
Equipment	3,538	3,538	-	-
Corporate guarantees	24,862	-	-	24,862
Income from future contracts	19,896	-	-	19,896
Goods in turnover	6,999	-	6,999	-
Other collateral	9,116	-	9,116	-
No collateral or other credit enhancement	22,788	-	-	22,788
Total unimpaired loans	350,836	267,175	16,115	67,546
Individually impaired loans				
Cash and deposits	-	-	-	-
Traded securities	-	-	-	-
Real estate	90,699	90,699	-	-
Motor vehicles	427	427	-	-
Equipment	1,371	1,371	-	-
Corporate guarantees	7,966	-	-	7,966
Goods in turnover	158	-	158	-
Other collateral	7,456	-	7,456	-
No collateral or other credit enhancement	8,278	-	-	8,278
Total impaired loans	116,355	92,497	7,614	16,244
Total loans to corporate customers	467,191	359,672	23,729	83,790

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Analysis of collateral and other credit enhancements, continued

Loans to corporate customers, continued

31 December 2017	Loans to customers, carrying amount	Fair value of collateral: for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
Unimpaired and collectively impaired loans				
Cash and deposits	3,424	3,424	-	-
Traded securities	6,875	6,875	-	-
Real estate	257,228	257,228	-	-
Motor vehicles	1,113	1,113	-	-
Equipment	3,706	3,706	-	-
Corporate guarantees	32,441	-	-	32,441
Income from future contracts	23,288	-	-	23,288
Goods in turnover	6,921	-	6,921	-
Other collateral	1,566	-	-	1,566
No collateral or other credit enhancement	7,982	-	-	7,982
Total unimpaired loans	344,544	272,346	6,921	65,277
Individually impaired loans				
Cash and deposits	74	74	-	-
Traded securities	215	215	-	-
Real estate	95,444	95,444	-	-
Motor vehicles	415	415	-	-
Equipment	2,508	2,508	-	-
Corporate guarantees	11,598	-	-	11,598
Goods in turnover	741	-	741	-
Mineral rights	7,284	7,284	-	-
Other collateral	1,140	-	1,140	-
No collateral or other credit enhancement	14,627	-	-	14,627
Total impaired loans	134,046	105,940	1,881	26,225
Total loans to corporate customers	478,590	378,286	8,802	91,502

The tables above excludes overcollateralisation. In accordance with the recommendations of NBRK future contract revenues are not considered as sufficient collateral for loan impairment allowance calculation. As at 31 March 2018 the loans to corporate customers with net carrying amount of KZT 19,896 million (31 December 2017: KZT 23,288 million) are secured by income from future contracts.

Amount recorded in the item "No collateral or other credit enhancement" comprises unsecured loans and parts of loans, which are not fully secured.

For majority of loans the fair value of collateral was assessed at the reporting day. The Bank also has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which the fair value of collateral is not determined and can not be determined. Information on the valuation of collateral is based on when this estimate was made, if any.

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(d) Loan portfolio analysis

As at 31 March 2018, the Bank has 13 borrowers or groups of connected borrowers (31 December 2017: 6), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 March 2018 is KZT 198,561 million, (31 December 2017: KZT 114,175 million).

As at 31 December 2017, the Bank had a finance lease agreement as a lessor. As at 31 March 2018, the finance lease agreement was repaid.

Loans to customers were issued primarily to customers located within the Republic of Kazakhstan who operate in the following economic sectors.

	31 March 2018	31 December 2017
Individuals	352,564	349,976
Trade	137,754	141,129
Rent of real estate	74,277	81,539
Energy	56,181	60,252
Financial services	48,588	49,946
Transportation and equipment maintenance services	33,804	35,095
Housing construction	29,383	32,571
Production	33,474	32,730
Industrial construction	27,821	29,397
Food industry	22,487	24,702
Transport and telecommunications	23,289	21,159
Agriculture	17,890	17,932
Oil and gas industry	21,023	5,526
Other	53,471	48,702
Total	932,006	930,656
Impairment allowance	(132,116)	(113,851)
	799,890	816,805

Fair value of assets received as collateral and carrying amount of reverse repurchase agreements as at 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018		31 December 2017	
	Loan carrying amount	Collateral fair value	Loan carrying amount	Collateral fair value
Government bonds of the Republic of Kazakhstan	69,494	72,893	11,006	11,169
Other			3,437	4,352
	69,494	72,893	14,443	15,521

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17. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and constructions	Furniture and equipment	Construction in progress	Intangible assets	Total
Cost/revalued amount					
1 January 2017	31,086	13,602	53	6,441	51,182
Additions	175	1,337	68	2,988	4,568
Transfers	-	16	(16)	-	-
Disposals	(251)	(963)	-	(90)	(1,304)
31 December 2017	31,010	13,992	105	9,339	54,446
Additions	7	172	-	61	240
Disposals	(123)	(1,043)	-	(44)	(1,210)
31 March 2018	30,894	13,121	105	9,356	53,476
Accumulated depreciation, amortisation and impairment					
31 December 2016	(60)	(8,552)	-	(3,620)	(12,232)
Charge for the year	(343)	(1,264)	-	(816)	(2,423)
Disposals	10	929	-	90	1,029
31 December 2017	(393)	(8,887)	-	(4,346)	(13,626)
Charge for the year	(85)	(320)	-	(196)	(601)
Disposals	1	1,043	-	44	1,088
31 March 2018	(477)	(8,164)	-	(4,498)	(13,139)
Net carrying amount					
31 March 2018	30,417	4,957	105	4,858	40,337
31 December 2017	30,617	5,105	105	4,993	40,820

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18. OTHER ASSETS

	31 March 2018	31 December 2017
Other financial assets		
Receivables	2,893	5,118
Accrued commission	7,834	7,698
Dividends receivable	-	-
Western Union and other wireless transfers	903	175
	11,630	12,991
Less allowance for impairment	(546)	(520)
	11,084	12,471
Other non-financial assets		
Repossessed collateral	48,515	49,442
Payment receivable on repossessed collateral	4,697	4,253
Investment property	4,962	5,003
Advances paid	491	149
Taxes receivable other than income tax	1,634	1,974
Inventory	72	78
Other assets	1,406	649
	61,777	61,548
Less allowance for impairment	(786)	(1,227)
	60,991	60,321
	72,075	72,792

Repossessed collateral. Repossessed collateral represents real estate accepted by the Bank in exchange for from its non-performing borrowers. These assets have been initially recognised at fair value and subsequently measured at the lower of fair value less cost to dispose or the carrying value. The Bank's policy implies sale of said assets as soon as possible.

Payment receivable on repossessed collateral. Payment on repossessed collateral comprises prepayments for repossessed collateral which is acquired under auction.

19. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Nominal interest rate, %	31 March 2018	Nominal interest rate, %	31 December 2017
Long-term loans due to banks and financial institutions	1.00-9.08	49,596	1.00-9.08	48,776
Perpetual financial instruments	8.04	24,889	7.34	26,064
Loans due to international credit organisations	8.50-10.00	14,295	8.50-10.70	16,151
Correspondent accounts of banks	-	1,252	-	1,440
Loan due to NBRK	5.50	105	5.50	105
Short-term loans due to banks and financial institutions	-	-	-	-
Accrued interest	-	641	-	862
		90,778		93,398
Loans under repurchase agreements	8.50-8.60	11,796	9.30-11.50	5,393
		102,574		98,791

During three months ended 31 March 2018, the Bank received additional tranche of long-term loans from JSC DBK in the amount of KZT 1,875 million at 1% p.a. maturing in 2037. Loan is intended for further financing under the car manufacturers support program.

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During the year ended 31 December 2017, the Bank received long-term loans from JSC DAMU in the amount of KZT 6,511 million at 9.08% p.a. maturing in 2020, and KZT 320 million at 1% p.a. maturing in 2024.

During 2018 and 2017, the Bank has received loans from JSC DAMU under the Government program (“the Program”) to finance small and medium enterprises (“SME”) of certain industries. According to the loan agreement between DAMU and the Bank, the Bank extends loans to SME borrowers, eligible to participate in the Program, at 4% margin with the maturity not exceeding 10 years. The Bank’s obligation to repay the loan to DAMU is not contingent on collectability of the loans extended to SME borrowers. The Bank is obligated to pay 15% penalty on the amounts not extended to SME borrowers within 3-9 months after receiving the money from DAMU. Management of the Bank believes that there are no other similar financial instruments and due to specific nature of SME clients, this product represents a separate market. As a result, the loan from DAMU was received in an orderly transaction and as such have been recorded at fair value at the recognition date.

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

Loans from international credit organisations. Loans from international credit organisations comprise loans from the European Bank for Reconstruction and Development (“EBRD”) at 8,5%-10% p.a. maturing in 2019-2020.

During three months ended 31 March 2018, the Bank has not partially repaid a long-term loan from the European Bank for Reconstruction and Development (“EBRD”) ahead of schedule.

The Bank is obligated to comply with financial covenants in relation to funds and loans from banks and financial institutions. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. As at 31 March 2018 and 31 December 2017, the Bank has not breached any of these covenants.

As at 31 March 2018, funds and loans from banks and financial institutions included loans received under repurchase agreements of KZT 7,038 million that were repaid in April 2018. The fair value of assets pledged under repurchase agreements amounted to KZT 7,247 million as at 31 March 2018.

20. CUSTOMER AND BANK ACCOUNTS

	<u>31 March 2018</u>	<u>31 December 2017</u>
Due to customers		
- Retail	497,878	504,610
- Corporate	519,959	470,679
Due to banks	8,146	1,663
	<u>1,025,983</u>	<u>976,952</u>
	<u>31 March 2018</u>	<u>31 December 2017</u>
Term deposits	735,698	696,445
Demand deposits	277,344	274,321
	1,013,042	970,766
Accrued interest	4,795	4,523
	<u>1,017,837</u>	<u>975,289</u>

As at 31 March 2018, the Bank has 5 customers (31 December 2017: 5 customers), whose balances exceed 10% of equity. The gross balances of the above mentioned customers as at 31 March 2018 are KZT 215,387 million (31 December 2017: KZT 221,119 million).

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	<u>31 March 2018</u>	<u>31 December 2017</u>
Analysis by sectors:		
Individuals	497,878	504,610
Social services	212,763	133,800
Construction	77,772	84,357
Trade	41,717	48,636
Education and health care	31,304	34,260
Transportation and communication	26,924	30,164
Energy	21,677	19,670
Manufacturing	10,196	14,728
Agriculture	9,016	7,430
Insurance and pension fund activities	6,283	7,256
Fuel	4,015	5,743
Metallurgy	11,181	4,577
Entertainment services	4,590	3,841
Machinery	2,019	3,806
Chemical production	3,888	3,801
Research and engineering	5,114	2,981
Oil and gas sector	3,147	2,950
Public administration	1,088	1,024
Other	47,265	61,655
Total due to customers	<u>1,017,837</u>	<u>975,289</u>

21. DEBT SECURITIES ISSUED

	Currency	Issue date	Maturity date	Interest rate, %	31 March 2018	Interest rate, %	31 December 2017
Kazakhstani bonds	KZT	26/04/2014- 05/02/2018	26/04/2019- 05/02/2028	8.00-12.00	<u>32,590</u>	8.00-9.00	<u>17,048</u>
					<u>32,590</u>		<u>17,048</u>
Accrued interest					<u>727</u>		<u>280</u>
					<u>33,317</u>		<u>17,328</u>

During the period ended 31 March 2018, the Bank has placed debt bonds issued in the amount of KZT 5,922 million under the previously issued prospectus. And it also placed bonds issued in the amount of KZT 10,163 million under the Third Bond Program of JSC Bank CenterCredit.

Coupons on debt securities issued are repayable semi-annually; principal is repayable at maturity.

22. SUBORDINATED BONDS

	Currency	Issue date	Maturity date	Interest rate, %	31 March 2018	Interest rate, %	31 December 2017
Fixed rate	KZT	27/06/2008 - 03/11/2017	27/06/2018 - 03/11/2032	4.00-11.00	54,626	4.00-11.00	54,439
Floating rate	KZT	05/12/2007 - 27/11/2009	27/11/2019 - 11/11/2023	7.50-8.10	<u>20,199</u>	8.70-8.80	<u>20,193</u>
					<u>74,825</u>		<u>74,632</u>
Accrued interest					<u>1,788</u>		<u>822</u>
					<u>76,613</u>		<u>75,454</u>

Coupons on subordinated bonds are repayable on dates as determined in the respective Prospectuses for Bond Issue, principal is repayable at maturity.

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Participation in the Program of Strengthening of the Banking Sector Financial Stability

Resolution of the NBRK No.191 dated 10 October 2017 approved the Bank's participation in the Program of Strengthening Financial Stability of Banking Sector of the Republic of Kazakhstan (the "Program").

In accordance with the terms of the Program, the Bank received cash from the NBRK subsidiary – Kazakhstan Sustainability Fund JSC by means of issue of registered coupon subordinated bonds of the Bank (the "Bonds") convertible into the Bank's ordinary shares on the terms provided for in the Issue Prospectus.

The Bank accepts the following covenants in its operations, which are valid during 5 years from the Bonds placement date; breach of any covenant results in enforcement of the Bonds holders' rights to convert the Bonds into ordinary shares of the Bank:

- The Bank commits itself to comply with the capital adequacy ratios set by the authorised body for the second tier banks of the RK;
- The Bank commits itself not to take actions aimed at withdrawal of the Bank's assets; in this regard a list of cases that would be treated as the asset withdrawal are specified in the Prospectus for Bond Issue.

Within the framework of the Bank's participation in the Program, on 3 November 2017, the Bank placed the Bonds at Kazakhstan Stock Exchange in the amount of KZT 60,000 million with 15-year maturity and coupon rate of 4.00% per annum. The unwinding of discount of the Bonds using the market interest rate of 13%, which was recognised as income in the statement of profit or loss at initial recognition of the Bonds, is KZT 34,993 million.

23. OTHER LIABILITIES

	31 March 2018	31 December 2017
Other financial liabilities:		
Settlements on other liabilities	4,620	3,717
Liabilities in guarantees issued	7,468	7,413
Accrued commission income	36	769
Provisions for guarantees and letters of credit	151	115
	12,275	12,014
Other non-financial liabilities :		
Taxes payable other than income tax	1,061	1,093
Other non-financial liabilities	1,174	1,204
Total other liabilities	14,510	14,311

24. SHARE CAPITAL

As at 31 March 2018, the Bank's share capital is presented as follows:

	Authorised share capital	Share capital authorized and not issued	Repurchased share capital from shareholders	Total share capital
Ordinary shares	995,876,753	(833,419,953)	(1,205,573)	161,251,227
Preference shares	39,249,255	-	(39,044,841)	204,414

As at 31 March 2018, the Bank's share capital comprised the following number of shares:

	Authorized and issued share capital	Repurchased shares	Total
Ordinary shares	57,794	(70)	57,724
Preference shares	11,775	(11,714)	61
	69,569	(11,784)	57,785

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As at 31 December 2017, the Bank's share capital was presented as follows:

	Authorised share capital	Share capital authorised and not issued	Repurchased share capital from shareholders	Total share capital
Ordinary shares	995,876,753	(833,419,953)	(1,452,965)	161,003,835
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2017, the Bank's share capital comprised the following number of shares:

	Authorized and issued share capital	Repurchased shares	Total
Ordinary shares	58,014	(220)	57,794
Preference shares	11,775	-	11,775
	69,789	(220)	69,569

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share. According to the legislation of the Republic of Kazakhstan and Bank's incorporation documents, dividends are payable on ordinary shares in the form of cash or securities of the Bank, on condition that the decision was made at the annual meeting of shareholders of the Bank. In accordance with the Bank's Charter, dividend payments on ordinary shares are made on the basis of financial results for the year. Distributable reserves are subject to rules and regulations of the Republic of Kazakhstan.

Terms and conditions of preferred shares provide for the Bank to pay nominal value of dividends of KZT 0.01 per share to comply with Kazakhstani legislation. This legislation envisages that joint stock companies pay the fixed guaranteed amount of the dividend on the preference shares. According to Kazakhstan law on joint stock companies, the amount of the dividend paid on the ordinary shares may not exceed the amount of the dividends paid on preference shares. In addition, dividends on ordinary shares may not be paid until dividends on preference shares have been paid in full.

	31 March 2018 Quantity, in thousands	31 December 2017 Quantity, in thousands
Preference shares, beginning of the period	39,249	39,249
Preference shares issued	(39,045)	-
Preference shares, end of the period	204	39,249
Ordinary shares, beginning of the period	161,004	162,057
Treasury shares purchased	(632)	(2,355)
Treasury shares sold	879	1,302
Ordinary shares, end of the period	161,251	161,004

25. SUBSEQUENT EVENTS

The Bank has no information about any significant subsequent events.


G. A. Khussainov
 Chairman of the Management Board

May 14, 2018
 Almaty


Ye. A. Assylbek
 Managing Director

May 14, 2018
 Almaty


A.T. Nurgaliyeva
 Chief Accountant

May 14, 2018
 Almaty