

EXPLANATORY NOTE
(unaudited)
to interim consolidated financial statements
for III quarter of 2014
Nurbank PJSC

General provisions

(a) Organizational structure and activity

Provided consolidation interim financial statements include financial statements of Nurbank JSC (hereinafter referred to as the Bank) and financial statement of its subsidiaries (hereinafter referred to as the Group). The main subsidiaries are insurance, brokerage companies, and a pension fund.

The Bank was incorporated in the Republic of Kazakhstan in 1993. Primary activities of the Bank are attraction of bank deposits and maintenance of clients' accounts, administration of credits and guarantees, cash management services, executing transactions with securities and foreign currency.

Activity of the Bank is regulated by the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NBRK) and Committee for Supervision and Control of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the KFN).

The Bank has full banking license No. 1.2.15/193 dated October 28, 2014 and is a member of Kazakhstan Deposit Guarantee Fund.

The Bank is registered at the Address: 51-53 Abylai khan Ave., 050004 Almaty, Republic of Kazakhstan. As of September 30, 2014 the Bank has 16 branches and 61 limited service branches (as of December 31, 2013: 16 branches and 58 limited service branches). Majority of assets and liabilities of the Bank are located in the territory of the Republic of Kazakhstan.

The subsidiaries are presented as follows:

Name	Registration country	Types of activities	Share, %	
			September 30, 2014	December 31, 2013
APF "Atameken" JSC	Republic of Kazakhstan	Management of pension assets	95.92	94.79
LC Nur Leasing LLP	Republic of Kazakhstan	Leasing	100.00	100.00
"SB JSC "Nurbank" Nurpolis" JSC	Republic of Kazakhstan	Insurance	100.00	100.00
"Money Experts" JSC	Republic of Kazakhstan	Brokerage activity	100.00	100.00
DAMO "NB" LLP	Republic of Kazakhstan	Purchase of doubtful and distressed assets of a Member	100.00	100.00

An ultimate controlling party of the Group is a natural person, Missis Sarsenova S.T., who is authorized to direct activity of the Group at her own discretion and in her own interests.

Due to amendments to pension legislation of Kazakhstan in December 2013 Accumulative Pension Fund "Atameken" JSC (hereinafter referred to as the Fund) transferred all pension assets managed by it to government organization "Single Accumulative Pension Fund" JSC. Transfer of the assets resulted in termination of a significant part of Group activity.

Upon the transfer of assets the primary activity of the Fund became management of its own investment portfolio. At the present moment owners of the Fund continue to asses various alternative strategies of commercial activity, including total liquidation of the Fund, but a final decision has not been yet made.

On March 19, 2014 the Fund returned its pension assets management license.

(b) Conditions of commercial and economic activities in Kazakhstan

The Group carries out its activities mainly in the territory of Kazakhstan. Consequently, the Group is exposed to economic and financial risks at the markets of Kazakhstan that have special features inherent in developing markets. Regulatory and legal framework and tax legislation are being improved, but admit an opportunity of different interpretations, and they are exposed of regularly introduced amendments that in the aggregate with other defects of legal and fiscal systems create additional difficulties for companies conducting its activity in Kazakhstan.

Fundamental principles for preparation of financial statements

(a) Declaration of IAS conformity

The attached consolidated financial statements are prepared in compliance with International Accounting Standards (IAS) 34 "Interim Accounting Statements" (hereinafter referred to as the IAS 34).

(b) Valuation framework

The consolidated interim condensed financial statements are prepared according to the actual cost system, except for financial instruments estimated by their fair value changes in which are recorded in profit or loss for a period, financial assets available for sale recorded at their fair value, lands and buildings recorded at a revalued price.

(c) Functional and presentation currency

Functional currency of the Bank and its subsidiaries is Kazakhstan tenge, that being the national currency of the Republic of Kazakhstan in the best way reflects economic essence of the most of effected by the Group transactions and connected with them circumstances influencing activity of the Group.

Kazakhstan tenge is also the presentation currency of these consolidated interim financial statements.

All data of consolidated financial statements have been expressed in round numbers up to whole thousand of tenge.

(d) Use of professional judgments, estimates and assumptions

Preparation of the consolidated interim financial statements according to requirements of IAS obliges the bank management to make judgments, estimates and assumptions influencing application of an accounting policy and an amount of assets and liabilities, profits and losses recorded in the consolidated interim financial statements. Actual results can differ from specified estimates. Estimates and based on them assumptions are regularly reviewed. Adjustments in the estimates are recognized in a period when the relevant estimates were reviewed, and in any other period which they cover.

Basic provisions of the accounting policy

Except for approval of new amendments to IAS coming into force on January 1, 2014 in preparation of these consolidated interim financial statements the Group used the same accounting policies that were applied in the financial statements for the year having ended on December 31, 2013.

New amendments to IAS came into force on January 1, 2014 and accepted by the Group since the mentioned date. These amendments did not significantly affected the consolidated interim condensed financial statements.

- Amendments to IAS 32 “Financial instruments: presentation of information” further explains definition of a legal right to set off financial assets and liabilities, subject to a fact that this right does not depend on future events, and is valid both in course of carrying out of current economic activity, and in case of failure to perform obligations (default), insolvency or bankruptcy of the company and all its contractors.

Net interest income

	For 9-month period that ended on September 30, 2014 thous. KZT	For 9-month period that ended on September 30, 2013 thous. KZT
Interest incomes		
Loans provided to customers	15,876,887	11,249,081
Financial assets available for sale	1,404,190	1,382,344
Cash and its equivalents	243,470	275,751
Financial instruments estimated at fair value, changes of which are recorded in profits or losses for the period	44,142	69,696
	17,568,689	12,976,872
Interest expenses		
Current and deposit accounts of customers	(5,915,714)	(5,302,805)
Issued debt securities	(2,566,955)	(2,541,425)
Subordinated debt		
Amounts due to the Government of the Republic of Kazakhstan	(320,469)	(433,353)
Accounts and deposits of banks and other financial institutions	(210,929)	(59,343)
	(9,014,067)	(8,336,926)
	8,554,622	4,639,946

Other general and administrative expenses

	For 9-month period that ended on September 30, 2014	For 9-month period that ended on September 30, 2013
	thous. KZT	thous. KZT
Operating lease expenses	(737,299)	(704,588)
Advertisement and marketing	(478,902)	(278,705)
preciation and amortization	(431,286)	(430,660)
Deposit insurance	(349,534)	(302,190)
Taxes, except for income tax	(255,047)	(227,851)
Communication and information services	(262,961)	(186,115)
Insurance	(208,202)	(192,122)
Professional services	(4,974)	(20,301)
Security	(113,758)	(109,105)
Maintenance and operation	(95,241)	(64,663)
Travel expenses	(42,217)	(61,605)
Utility services	(38,010)	(103,483)
Transport costs	(78,053)	(49,594)
Collection charges	(52,622)	(39,824)
Stationery	(38,598)	(24,891)
Social and corporate events	(6,223)	(2,675)
Charity	(22,238)	(16,337)
Mail and delivery expenses	(16,044)	(10,857)
Other	(2,197,113)	(196,639)
	(5,428,323)	(3,022,205)

Cash and cash equivalents

	September 30, 2014	December 31, 2013
	KZT thous.	KZT thous.
Cash on hand	9,372,858	8,432,228
“Nostro” accounts in the NBRK	9,953,625	4,361,245
“Nostro” accounts in other banks		
- with credit rating of AA- to AA+	-	3,809,677
- with credit rating of A- to A+	9,929,391	518,410
- with credit rating of BBB	276,840	17,917
- with credit rating of BB- to BB+	196,474	39,011
- with credit rating of B- до B+	20,282	947,579
- that are not rated	598	19,597
Total “Nostro” accounts with other banks	10,423,585	5,352,191

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Cash and cash equivalents		
- Term deposits with other banks		
- with credit rating of BBB- to BBB+	26	-
- with credit rating of BB- to BB+	1,063,079	1,710,617
- with credit rating of B- to B+	1,146	245,000
Total term deposits with other banks	1,064,251	1,955,617
Reverse repurchase transactions	579,929	9,369,866
Total cash equivalents	1,644,180	11,325,483
Total cash and cash equivalents	31,394,248	29,471,147

The above stated table is based on credit ratings assigned by Standard & Poor's agency, or assigned by other rating agencies, converted in the ratings on scale of Standard & Poor's. Cash and cash equivalents are neither depreciated, nor outstanding.

Requirements to minimum reserves

Minimal reserve requirements are estimated according to regulations approved by the NBRK, and must be maintained equal to an average amount of cash on hand and balance on a current account in the NBRK for two weeks, calculated as a particular minimal level of deposits and balances of current accounts of customers being residents and non-residents of the Republic of Kazakhstan, as well as particular other liabilities of the Bank. As of September 30, 2014 a minimum reserve amount made KZT 4,214,570 thous. (December 31, 2013: KZT 2,737,638 thous.).

Financial assets available for sale

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Debt instruments		
Government bonds		
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	20,376,762	24,160,175
Government bonds of other countries (with credit rating of A to AAA)	2,545,995	1,150,982
Eurobonds of Government of Russia	399,950	315,508
Total public bonds	23,322,707	25,626,665

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Bonds of corporations and financial institutes		
with credit rating of AAA	1,416,251	488,048
with credit rating of AA- to AA+	1,599,353	1,009,793
with credit rating of A- to A+	1,912,554	1,682,333
with credit rating of BBB- to BBB+	7,954,872	5,889,921
with credit rating of BB- to BB+	2,839,451	3,009,397
with credit rating of B- to B+	332,193	815,635
with credit rating of lower B-	431,607	129,642
Total bonds of corporations and financial institutions	16,486,281	13,024,769
Share investments		
Corporate shares	25,043	8,428
Total share investments	25,043	8,428
	39,834,031	38,659,862

Accounts and deposits in banks and other financial institutions

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Accounts and deposits in banks and other financial institutions		
with credit rating of A- to A+	-	278,849
with credit rating of BBB- to BBB+	199,470	-
with credit rating of BB- to BB+	530,138	723,257
with credit rating of B- to B+	977,206	1,341,953
Total accounts and deposits in banks and other financial institutions	1,706,814	2,344,059

The above stated table is based on credit ratings assigned by Standard & Poor's agency, or assigned by other rating agencies, converted in the ratings on scale of Standard & Poor's.

Accounts and deposits in banks and other financial institutions are neither depreciated, nor outstanding.

Loans provided to customers

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Loan provided to corporate customers		
Loans provided to large-scale enterprises	44,255,418	133,638,647
Loans provided to small- and medium-sized enterprises	153,918,057	59,333,521
Total loans provided to corporate customers	198,173,475	192,972,168
Loans provided to retail customers		
Consumer credits	39,473,321	32,403,886
Mortgages	8,789,581	9,154,032
Credit cards	302,193	361,092
Total loans provided to retail customers	48,565,095	41,919,010
Loans provided to customers less allowance for impairment	246,738,570	234,891,178
Provision for impairment	(77,435,083)	(83,158,262)
Loans provided to customers less allowance for impairment	169,303,487	151,732,916

Other assets

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Accounts receivable from loan selling	22,912,477	9,339,860
Other accounts receivable	10,737,884	589,502
Other investments	2,695	237,100
Accrued commission income	79,002	70,092
Insurance and reinsurance accounts receivable	76,261	29,682
Impairment allowance	(2,661,980)	(489,879)
Discount on accounts receivable from loan selling	(1,324,326)	(1,341,656)
Total other financial assets	29,822,013	8,434,701
Seized property	4,403,662	4,741,462
Intangible assets	283,279	339,393
Deferred expenses	584,087	312,073
Prepayments	449,126	188,419
Prepaid taxes except for tax income	223,315	168,691
Materials and stock	138,253	109,348
Miscellaneous	705,244	326,266
Impairment allowance	(68,809)	(50,985)
Total other non-financial assets	6,718,157	6,134,667
Total other assets	36,540,170	14,569,368

Public money of the republic of Kazakhstan

As of September 30, 2014 and December 31, 2013 public money of the Republic of Kazakhstan included long-term loans from “Entrepreneurship Development Fund “Damu” JSC that were received for financing of small and medium-sized business. As of June 30, 2014 these loans had rates of remuneration of 5.5% to 8.5% per annum and maturity dates of July 2015 and April 2034.

Accounts and deposits of banks and other financial institutes

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Loans of other financial institutions	-	818,516
“Loro” accounts	12,931	148,817
Loans from banks that are members of OECD	1,533	80,731
Accounts payable under repurchase transactions	6,275,008	9,000
Loans from banks that are not members of OECD	2,076,000	-
	8,365,472	1,057,064

Current and deposit accounts of customers

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Current accounts and call deposits		
- Corporate customers	47,666,635	44,811,426
- Retail customers	5,124,746	5,881,988
Fixed deposits		
- Corporate customers	71,314,972	50,983,087
- Retail customers	52,768,566	50,463,356
	176,874,919	152,139,857

Other liabilities

	September 30, 2014	December 31, 2013
	KZT thous.	KZT thous.
Deferred income	202,794	-
Insurance liability	914,461	306,823
Accrued operating expenses	57,001	49,357
Accounts payable under granted guaranties and opened letters of credit	22,106	24,356
Total other financial liabilities	1,196,362	380,536
Reserve under granted guaranties and opened letters of credit	2,664,293	2,232,527
Prepayments under banking transactions	428,496	1,702,654
Reserve for vacations	441,600	400,877
Othre payable taxes	355,780	108,644
Other non-financial liabilities	9,348,895	180,838
Total non-financial liabilities	13,239,064	4,625,540
Total other liabilities	14,435,426	5,006,076
Authorised capital and reserves		

(a) Issued authorized capital

As of September 30, 2014 authorized share capital includes 13,375,557 ordinary shares and 300,000 preferred shares (December 31, 2013: 13,375,557 ordinary shares and 300,000 preferred shares). Distributed authorized capital includes 10,526,728 ordinary shares and 225,876 preferred shares (December 31, 2013: 10,526,728 ordinary shares and 225,876 preferred shares), including bought out 698 ordinary shares and 181 preferred shares. The shares have no nominal value.

Holders of the ordinary shares are entitled to receive dividends as far as they are declared, and have a right to one vote per share at annual and general meeting of Bank shareholders.

(b) Dividends

Pursuant to requirements of legislation of the Republic of Kazakhstan and incorporation documents of the Banks amount of available for distribution reserves is regulated by legislative instruments of the Republic of Kazakhstan.

Dividends on preferred shares are paid annually in amount not less than 1000 per preferred share according to the Articles of association. Dividends on ordinary shares are recorded as distribution of retained profit for a period when they are accrued. Dividends for 2014 and 2013 were not declared.

(c) Owns shares redeemed from shareholders

As of September 30, 2014 the Group redeemed 698 own ordinary shares and 181 preferred shares (December 31, 2013: 698 ordinary shares and 181 preferred shares).

(Loss) Earnings per ordinary share**Basic earnings per share**

Rate of the basic earnings per share is based on net profit payable to holders of ordinary shares and weighted average number of outstanding shares and is estimated as follows:

	September 30, 2014	December 31, 2013
	KZT thous.	KZT thous.
(Loss) profit for the period, KZT thous.	2,169,826	517.230
Weighted average number of ordinary shares to calculate basic (loss) profit per share	10,526,030	10,526,030
Basic (loss) profit per ordinary share, KZT	206,14	49,14

For 9-month period that ended on September 30, 2014 potentially diluted shares are absent.

Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital the following items defined by statutory regulation as capital for banks:

- Tier 1 capital, which is comprised of ordinary and preference share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses;
- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's income, revaluation reserves, qualifying subordinated liabilities and dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base. Under the current capital requirements set by the NBRK banks have to maintain:

- a ratio of tier 1 capital less investments to total assets less investments (k1-1);
- a ratio of tier 1 capital less investments to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1-2);
- a ratio of total capital to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k2).

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital. The investments are adjusted in the proportion of tier 1 capital in the total of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital).

As at 30 September 2014 the minimum level of ratios as applicable to the Bank are as follows:

- k1.1-5%
- k1.2-5%
- k2-10%.

The Bank was in compliance with the statutory capital ratios as at 30 September 2014 and 31 December 2013.

The following table shows the composition of the capital position calculated in accordance with the requirements of the NBRK, as at 30 September and 31 December 2013:

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
Tier 1 capital	42,399,753	38,251,264
Tier 2 capital	2,546,015	5,436,743
Total statutory capital	44,945,768	43,688,007
Total statutory assets	299,621,327	252,801,791

Risk-weighted statutory assets, contingent liabilities, operational and market risk

Risk weighted statutory assets and contingent liabilities	260,160,462	205,580,580
Operational risk	1,318,025	2,737,894
Total statutory risk weighted assets, contingent liabilities, operational and market risk	261,478,487	208,318,474
K 1.1 ratio	14,2%	15.1%
K 1.2 ratio	16,2%	18.4%
K.2 ratio	17,2%	21.0%

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

Calculation of Balance Cost of One Common Share of the Bank as at 01.10.2014.

$$BVcs = NAV/NOcs$$

Balance cost of one common share for the date of calculation (BVcs) = 3,577.74 tenge.

Net assets for the common shares (NAV) = 37,659,365,000 ths. tenge;

Number of stocks for the date of calculation (NOcs) = 10 526 030 pieces;

$$NAV = (TA-IA)-TL-PS$$

Bank assets according to the report of financial position of the Bank for the calculation date (TA) = 292,499,246 ths. tenge;

Intangible assets according to the report of financial position of the Bank for the calculation date (IA) = 1,177,962 ths. tenge;

Bank liabilities according to the report of financial position of the Bank for the calculation date (TL) = 253,366,863 ths. tenge;

Balance of the account «authorized capital, preference shares», according to the report of financial position of the Bank for the date of calculation (PS) – 295 056 ths. tenge;

Calculation of balance cost of one preferred share of Bank as of 01.10.2014

$$BVps1 = (EPC+DCps1)/ NO ps1$$

Balance cost of the preferred share for the date of calculation (BVps1) = 12,148.23 tenge.

The capital belonging to the holders of preference shares of the first group for the date of calculation (EPC) = 690,022,250 tenge.

Debt cost of preference shares of the first group, considered in liabilities (DCps1) = 2 051 772 727,27 tenge.

$$EPC = TDps1+PS$$

The sum charged, but not paid dividends on preferred shares of the first group for the date of calculation (TDps1). In calculation dividends on preferred shares of the first group are not considered, which were not paid, because of absence of data ,actual information, requisites of the holder = 394,966,250 tenge;

Number of stocks for the date of calculation (NOps1) = 225 695 pieces.

Risk management

Risk management is a basis of banking activity and an essential element of operating activity of the Group. Market risk, credit risk and liquidity risk are basic risks which are met by the Group in course of its activity.

(a) Risk management policy and procedures

Risk management policy of the Group is aimed at determination, analysis and management of risks to which the group is exposed, setting limits of risks and relevant controls, as well as permanent monitoring of risk levels and their compliance with set limits. Risk management policy and procedures are reviewed regularly to reflect changes in market situation, offered banking products and services and arising best practices.

Board of Directors is responsible for proper functioning of the risk management control system, management of key risks and approval of risk management policies and procedures, as well as approval of major transactions.

Management Board is responsible for monitoring and introduction of risk mitigation, and controls meeting of the set risk limits in course of Group activity. Obligations of a Head of Risk Department include general risk management and control over observance of applicable legislation requirements, and monitoring of application of general principles and methods of detection, assessment, management and reporting both for financial and non-financial risks. He is subordinate directly to Chairman of the Board and indirectly to the Board of Directors.

Credit, market, and liquidity risks are managed and controlled by a system of Credit Committees and Assets and Liability Management Committee (ALMC), both a level of portfolio in general, and at a level of individual transactions. To raise efficiency of decision making process the Group establishes a hierarchy structure of credit committees depending on a type and extend of risk exposure.

Both external and internal factors of risks are detected and managed within scopes of the organization. Special attention is drawn to detection of the whole list of risk factors and defining a sufficiency level of current risk mitigation procedures. Besides standard analysis of the credit and market risks the Risk department monitors financial and non-financial risks by regular meetings with operating departments to get expert opinion on some fields.

(b) Market risk

The market risk is a risk of changing fair value or future cash flows of a financial instrument as a result of changes in market prices. The market risk includes currency risk, interest rate risk, as well as other price risks. The market risk arises in exposed positions with respect to rate and share financial instruments, exposed to general and specific changes at the market, and changes in a level of market price and exchange rate volatility.

An objective of market risk management is to manage and control so that exposure to the market risk exceed limited of admissible parameters, ensuring optimization of yield received for the accepted risk.

The ALMC, headed by the Chairman, is responsible for market risk management. The ALMC approves limits of the market risks basing on recommendations of the Risk Department.

The Group manages the market risk by setting limits for the exposed position with respect to portfolio amount by individual financial instruments, terms of interest rate changes, currency position and conducting regular monitoring of their compliance, results of which are considered and approved by the management Board.

(c)Liquidity risk

The liquidity risk is a risk that the Group can be confronted with difficulties in attracting funds to perform its obligations. The liquidity risk arises when a maturity date of assets does not coincide with the maturity date of liabilities. Coincidence and/or controlled mismatch of maturity dates and interest rates of assets and liabilities is an essential point in liquidity risk management. As a result of diversity in conducted transactions and connected with them ambiguity, full coincidence of assets and liabilities maturity dates is not usual practice for financial institution that provides an opportunity to increase profitability of transactions, but increase a default risk.

The Group maintains a required liquidity level to ensure constant availability of funds necessary to perform all obligations as and when they fall due. Liquidity management policy is reviewed and approved by the Management Board.

The Group actively strives for maintenance of a diversified and stable structure of financing sources including issued debt securities, long-term and short-term loans of other banks, deposits of main corporate customers and natural persons, as well as the diversified portfolio of marketable assets so the Group is able to response promptly and without acute fluctuations to unforeseen requirements with respect to liquidity.

The liquidity management policy includes:

- forecast of cash flows in terms of basic currencies and calculation of connected with these cash flows required level of ready assets;
- maintenance of the diversified structure of financing sources;
- management of concentration and structure of borrowed funds;
- development of plans on fund raising for the account of borrowed funds;
- maintenance of marketable assets portfolio that can be sold as a protective measure in case of cash liquidity gap;
- development of backup plans aimed at maintenance of liquidity and a set level of financing;
- control over compliance of liquidity indicators with statutory norms.

Treasury gets information from departments related to liquidity structure of their financial assets and liabilities and forecast of cash flows expected from business planned in the future. Then the Treasury forms a relevant portfolio of short-term ready assets mainly including short-term marketable securities available for sale, loans provided to banks, and other interbanking products to ensure the required liquidity level for the Group in general.

Every day the Treasury monitors liquidity positions and regularly conducts stress tests taking into account various scenarios of market condition both under normal and adverse conditions. Under normal conditions liquidity reports are submitted to the management every week. Decisions on the liquidity management policy are adopted by the ALMC and executed by the Treasury.

The following tables show undiscounted cash flows of financial assets and financial liabilities of loan nature by the earliest out of set in contract maturity dates. Total amounts of cash inflow and outflow specified in these tables represent contractual undiscounted cash flows of financial assets, liabilities of loan nature. With respect to issued financial guarantee contract maximum amount of the guarantee is referred to the earliest period when this guarantee can be used.

However the management considers that irrespectively of availability of this option and a fact that significant part of deposits is call accounts, diversification of these accounts and deposits by number and type of depositors, and past experience of the group serve as a sign that these accounts are long-term and stable financing sources. The Group maintains a portfolio of marketable and diversified assets that can be easily sold in case of cash liquidity gap. The Group has loan facilities that can be estimated to meet a need in liquid funds.

The following table represents analysis of amounts (in terms of expected maturity dates) recorded in the consolidated statement of financial standing as of September 30, 2014.

KZT thous.	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative financial assets								
Cash and its equivalents	31,394,248	-	-	-	-	-	-	31,394,248
Financial instruments estimated by fair value, changes of which are recorded in profit of loss for the period	-	-	6	44,582	1,159,864	7,502	-	1,211,954
Financial assets available for sale	60,910	43,215	1,469,805	17,506,114	20,672,782	25,043	56,162	39,834,031
Accounts and deposits in banks and other financial institutions	9,950	-	1,297,894	204,500	194,470	-	-	1,706,814
Loans provided to customers	38,041,353	6,298,188	36,422,981	40,479,654	9,019,773	-	39,041,538	169,303,487
Current tax asset	-	-	99,911	-	-	-	-	99,911
Fixed assets	-	-	-	-	-	5,341,079	-	5,341,079
Deferred tax asset	-	-	-	-	-	3,616,270	-	3,616,270
Other assets	6,106,239	9,497,901	8,270,356	11,857,894	770,667	2,695	34,418	36,540,170
Total assets	75,612,700	15,839,304	47,560,953	70,092,744	31,817,556	8,992,589	39,132,118	289,047,964
Non-derivative financial liabilities								
Funds of the Government of the Republic of Kazakhstan	-	-	1,028,563	2,030,260	3,241,680	-	-	6,300,503
Accounts and deposits of banks and other financial institutions	6,363,939	-	2,001,533	-	-	-	-	8,365,472
Current accounts and deposits of customers	58,679,606	17,434,373	85,155,834	13,930,325	1,635,796	-	38,985	176,874,919
Issued debt securities	-	-	5,038,448	15,756,477	13,970,951	-	-	34,765,876
Subordinated debt	-	-	-	4,957,360	-	2,438,130	-	7,395,490
Other liabilities	4,152,723	554,892	504,622	9,223,189	-	-	-	14,435,426
Total liabilities	69,196,268	17,989,265	93,729,000	45,897,611	18,848,427	2,438,130	38,985	248,137,686
Net position	6,416,432	(2,149,961)	(46,168,047)	24,195,133	12,969,129	6,554,459	39,093,133	40,910,278

The following table represents analysis of amounts (in terms of expected maturity dates) recorded in the consolidated statement of financial standing as of December 31, 2013

KZT thous.	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative financial assets								
Cash and its equivalents	29,471,147	-	-	-	-	-	-	29,471,147
Financial instruments estimated by fair value, changes of which are recorded in profit of loss for the period	-	46,570	4,055	48,203	1,105,388	7,460	-	1,211,643
Financial assets available for sale	1,554,707	2,472,169	1,164,788	16,715,480	16,744,290	8,428	-	38,659,862
Accounts and deposits in banks and other financial institutions	285,482	-	1,341,271	717,306	-	-	-	2,344,059
Loans provided to customers	4,503,254	8,282,029	22,541,968	53,755,875	20,341,388	-	42,308,402	151,732,916
Current tax asset	-	-	100,147	-	-	-	-	100,147
Fixed assets	-	-	-	-	-	3,896,459	-	3,896,459
Deferred tax asset	-	-	-	-	-	3,616,271	-	3,616,271
Other assets	117,932	654,078	5,008,085	8,494,923	108,823	121,403	64,124	14,569,368
Total assets	35,932,522	11,454,846	30,160,281	79,731,787	38,299,889	7,650,021	42,372,526	245,601,872
Non-derivative financial liabilities								
Funds of the Government of the Republic of Kazakhstan	1,182,132	-	1,150,610	3,627,900	625,000	-	-	6,585,642
Accounts and deposits of banks and other financial institutions	238,813	-	88,541	38,642	691,068	-	-	1,057,064
Current accounts and deposits of customers	65,201,669	12,615,263	50,159,383	22,219,108	1,944,434	-	-	152,139,857
Issued debt securities	629,125	-	72,917	20,439,331	13,558,978	-	-	34,700,351
Subordinated debt	-	-	43,663	4,761,107	-	2,268,859	-	7,073,629
Other liabilities	2,732,293	19,255	853,473	109,539	1,291,516	-	-	5,006,076
Total liabilities	69,984,032	12,634,518	52,368,587	51,195,627	18,110,996	2,268,859	-	206,562,619
Net position	(34,051,510)	(1,179,672)	(22,208,306)	28,536,160	20,188,893	5,381,162	42,372,526	39,039,253

(d) Credit risk

The credit risk is a risk of financial losses arising as a result of failure to perform obligations by a borrower or contractor of the Group. The Group management the credit risk (by admitted financial assets and non-admitted contract obligations) applying approved policies and procedures including requirement related to setting and complying with limits of credit risk concentration, and establishing the Credit Committee functions of which include active monitoring of the credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy sets:

- procedures of consideration and approval of credit applications;
- methodology used to assess solvency of borrowers (corporate and retail customers);
- methodology used to assess solvency of contractors, issuers and insurance companies;
- methodology used to assign credit ratings;
- methodology used to estimate offered security;
- requirements to credit documents;
- procedures of permanent monitoring of credits and other products bearing the credit risk.

Credit applications from corporate customers are prepared by relevant customer managers, and then transferred to Departments of Retail Business, Small and Medium-Sized Business and Corporate Department for review. These departments are responsible for a portfolio of credits provided to legal entities. Reports of data analysts of the Department are based on structural analysis of business and financial standing of the borrower. Then the applications and reports undergo independent verification and risk-examination by the Risk Department preparing a relevant opinion; moreover it is checked observance of credit policy requirements, assessment of solvency, financial standing of the borrower. The Credit Committee checks credit applications on the basis of documents and opinions provided by the Retail Business Department, Small and Medium-Sized Business Department, Corporate Business Department, and the Risk Department, as well as other divisions (Law Department, Mortgage Security Administration, Security Service).

The Group conducts permanent monitoring of particular credits and regularly reevaluate solvency of its borrowers. Reevaluation procedures are based on analysis of borrower's financial statements as of the recent reporting date or other information provided by the borrower itself or received by the Group otherwise. The Retail Business Department is responsible for review of the credit applications filed by natural persons. In this case it is applied procedures for verification of data indicated in the credit application, developed jointly with the Risk Department.

Besides analysis of some borrowers the Risk department assesses a credit portfolio in general with respect to credit and market risk concentration.

As a rule, maximum level of credit risk exposure is reflected in value of financial assets at which they are recorded in the consolidated statement of financial standing, and in an amount of non-admitted contractual obligations. An opportunity to set off assets and liabilities has no significant meaning for reduction of the potential credit risk.

As of a reporting date the maximum level of credit risk exposure with respect to financial assets can be represented as follows.

	September 30, 2014 KZT thous.	December 31, 2013 KZT thous.
ASSETS		
Cash and cash equivalents	22,021,390	21,038,919
Financial instruments estimated at fair value changes of which are recorded in profit or loss for the period	1,204,452	1,204,183
Financial assets available for sale	39,808,989	38,651,434
Accounts and deposits in banks and other financial institutions	1,706,814	2,344,059
Loans provided to customers	169,303,487	151,732,916
Other financial assets	29,745,762	8,924,580
Total maximum level of credit risk exposure	263,790,894	223,896,091

Chairman of Board of Directors ✓



Orynbayev K.B.

Chief accountant ✓

Filatova A.I.

Performers: Makakova Zh. B.

Bolatova A.B.

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Аудит Аудиторы С.А. Дуп Д.А. Д.А. Д.А.