

JOINT STOCK COMPANY KAZKOMMERTSBANK

**Interim Condensed Consolidated
Financial Information (Unaudited)**
For the three months ended 31 March 2015

JOINT STOCK COMPANY KAZKOMMERTSBANK

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)	1
INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED):	
Interim consolidated statement of profit or loss (unaudited)	3
Interim consolidated statement of other comprehensive income (unaudited)	4
Interim consolidated statement of financial position (unaudited)	5
Interim consolidated statement of changes in equity (unaudited)	6-7
Interim consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-28

JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)

Management is responsible for the preparation of the interim condensed 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 31 March 2015 and the results of its operations for the three month period then ended, as well as cash flows and changes in equity for the three month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in 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 interim condensed 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 interim condensed consolidated financial information of the Group for the three months ended 31 March 2015 was approved by the Management Board of JSC Kazkommertsbank on 1 June 2015.

On behalf of the Management Board of the Bank:


Auev M.M.
Chairperson of the Board

1 June 2015
Almaty


Shoimbekova G.K.
Chief Accountant

1 June 2015
Almaty

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Kazkommertsbank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2015 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte, LLP

1 June 2015
Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)

	Notes	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
Interest income	4, 16	81,162	55,789
Interest expense	4, 16	(49,123)	(28,466)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		32,039	27,323
Provision for impairment losses on interest bearing assets	5, 16	(7,506)	(9,774)
NET INTEREST INCOME		24,533	17,549
Net loss on financial assets and liabilities at fair value through profit or loss	6	(17,507)	(4,120)
Net gain/(loss) on foreign exchange and precious metals operations		7,571	(7,798)
Fee and commission income		10,423	7,093
Fee and commission expense		(4,642)	(2,630)
Net realized gain/(loss) on investments available-for-sale		827	(33)
Dividend income		13	1,103
Other income		2,193	802
NET NON-INTEREST EXPENSE		(1,122)	(5,583)
OPERATING EXPENSES	7, 16	(20,693)	(8,159)
PROFIT BEFORE OTHER OPERATING PROVISIONS		2,718	3,807
Provision for impairment losses on other transactions	16	(380)	(751)
Recovery of provision for guarantees and other contingencies	16	78	2,110
Share of profits of associates		2,017	-
Profit on sale of a subsidiary		360	-
PROFIT BEFORE INCOME TAX		4,793	5,166
Income tax expense	8	(950)	(1,172)
NET PROFIT		3,843	3,994
Attributable to:			
Ordinary shareholders of the Parent		3,734	3,548
Preference shareholders of the Parent		396	332
Non-controlling interest		(287)	114
		3,843	3,994
EARNINGS PER SHARE			
Basic and diluted (KZT)	9	5.21	4.56

On behalf of the Management Board of the Bank:

Auezov M.M.
Chairperson of the Board

1 June 2015
Almaty

Shoinbekova G.K.
Chief Accountant

1 June 2015
Almaty

The notes on pages 10-28 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
NET PROFIT FOR THE PERIOD	<u>3,843</u>	<u>3,994</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Net gain/(loss) resulting on revaluation of property	1,270	(45)
Income tax	<u>4</u>	<u>75</u>
	<u>1,274</u>	<u>30</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2,027)	2,258
Net loss resulting on revaluation of available-for-sale investments during the period	(875)	(98)
Reclassification adjustment relating to available-for-sale investments disposed of in the period	(827)	33
Net loss on cash flow hedges	(88)	(40)
Income tax effect	<u>62</u>	<u>(25)</u>
	<u>(3,755)</u>	<u>2,128</u>
OTHER COMPREHENSIVE (LOSS)/INCOME AFTER INCOME TAX	<u>(2,481)</u>	<u>2,158</u>
TOTAL COMPREHENSIVE INCOME	<u><u>1,362</u></u>	<u><u>6,152</u></u>
Attributable to:		
Ordinary shareholders of the Parent	3,810	4,959
Preference shareholders of the Parent	409	1,074
Non-controlling interest	<u>(2,857)</u>	<u>119</u>
TOTAL COMPREHENSIVE INCOME	<u><u>1,362</u></u>	<u><u>6,152</u></u>

On behalf of the Management Board of the Bank:

Auezov M.M.
Chairperson of the Board

1 June 2015
Almaty



Shoinbekova G.K.
Chief Accountant

1 June 2015
Almaty

The notes on pages 10-28 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015 (UNAUDITED)

	Notes	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	10	276,760	192,362
Precious metals		2,457	2,826
Financial assets at fair value through profit or loss	11	134,583	175,927
Loans and advances to banks and other financial institutions	16	219,039	208,550
Loans to customers	12, 16	2,081,934	2,122,148
Bonds of JSC National Welfare Fund Samruk-Kazyna		659,791	659,116
Investments available-for-sale		49,473	94,606
Investments held to maturity		26,412	18,440
Investments in associates		8,086	8,840
Goodwill		171	171
Investment property		249,765	60,953
Property, equipment and intangible assets		48,499	48,234
Deferred income tax assets	8	12,791	6,022
Other assets		414,147	214,658
Assets classified as held for sale		58,523	434,224
TOTAL ASSETS		4,242,431	4,247,077
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	16	679,608	682,856
Customer accounts	13, 16	2,194,340	2,264,140
Financial liabilities at fair value through profit or loss	11	31,978	20,791
Debt securities issued	14	466,639	416,920
Other borrowed funds		219,900	216,693
Provisions		46,130	48,672
Dividends payable		243	31
Other liabilities		56,064	48,049
Subordinated debt		117,825	122,856
Liabilities directly associated with assets classified as held for sale		12,357	10,028
Total liabilities		3,825,084	3,831,036
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		234,387	160,945
Additional paid-in-capital		(6,405)	(6,405)
Property and equipment revaluation reserve		7,958	7,166
Other reserves		174,873	203,997
Total equity attributable to equity holders of the Parent		410,813	365,703
Non-controlling interest		6,534	50,338
Total equity		417,347	416,041
TOTAL LIABILITIES AND EQUITY		4,242,431	4,247,077

On behalf of the Management Board of the Bank:

Auezoy M.M.
Chairperson of the Board

1 June 2015
Almaty

Shoinbekova G.K.
Chief Accountant

1 June 2015
Almaty

The notes on pages 10-28 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

	Share capital (KZT million)	Treasury shares (KZT million)	Additional paid-in-capital (KZT million)	Property and equipment revaluation reserve	Investments available-for- sale fair value deficit ¹ (KZT million)	Cumulative translation reserve ¹ (KZT million)	Hedging reserve ¹ (KZT million)	Retained earnings ¹ (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non- controlling interest (KZT million)	Total equity (KZT million)
31 December 2013	213,301	(689)	(6,405)	5,779	(153)	(807)	901	158,577	370,504	1,703	372,207
Net profit	-	-	-	-	-	-	-	3,880	3,880	114	3,994
Other comprehensive income	-	-	-	53	(98)	2,230	(32)	-	2,153	5	2,158
Total comprehensive income	-	-	-	53	(98)	2,230	(32)	3,880	6,033	119	6,152
Sale of treasury shares	-	23	-	-	-	-	-	-	23	-	23
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(380)	-	-	-	380	-	-	-
31 March 2014 (unaudited)	213,301	(666)	(6,405)	5,452	(251)	1,423	869	162,837	376,560	1,822	378,382

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)

	Share capital (KZT million)	Treasury shares (KZT million)	Additional paid-in-capital (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for- sale fair value deficit ¹ (KZT million)	Cumulative translation reserve ¹ (KZT million)	Hedging reserve ¹ (KZT million)	Retained earnings ¹ (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non- controlling interest (KZT million)	Total equity (KZT million)
31 December 2014	213,301	(52,356)	(6,405)	7,166	(1,649)	(3,220)	702	208,164	365,703	50,338	416,041
Net profit	-	-	-	-	-	-	-	4,130	4,130	(287)	3,843
Other comprehensive income	-	-	-	811	(1,136)	484	(70)	-	89	(2,570)	(2,481)
Total comprehensive income	-	-	-	811	(1,136)	484	(70)	4,130	4,219	(2,857)	1,362
Repurchase of treasury shares	-	(68)	-	-	-	-	-	-	(68)	-	(68)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(19)	-	-	-	19	-	-	-
Acquisition of share in BTA	-	-	-	-	-	-	-	(32,551)	(32,551)	-	(32,551)
Change in non-controlling interest from acquisition	-	-	-	-	-	-	-	-	-	(40,947)	(40,947)
Issue of ordinary shares	73,510	-	-	-	-	-	-	-	73,510	-	73,510
31 March 2015 (unaudited)	286,811	(52,424)	(6,405)	7,958	(2,785)	(2,736)	632	179,762	410,813	6,534	417,347

¹The amounts included within the Investments available-for-sale fair value (deficit)/reserve, Cumulative translation reserve, Hedging reserve 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:



Shoinbekova G.K.
Chief Accountant

1 June 2015
Almaty

The notes on pages 10-28 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	1,526	1,056
Interest received on loans and advances to banks and other financial institutions	2,551	440
Interest received from loans to customers	33,704	35,896
Interest received from bonds of JSC National Welfare Fund Samruk-Kazyna	9,000	-
Interest received from investments available-for-sale	4,751	678
Interest received from investments held to maturity	57	91
Interest paid on loans and advances from banks and other financial institutions	(11,397)	(1,098)
Interest paid on customer accounts	(23,602)	(19,299)
Interest paid on debt securities issued	(6,560)	(6,978)
Interest paid on other borrowed funds	(4,287)	(368)
Interest paid on subordinated debt	(1,624)	(1,330)
Fee and commission received	12,286	7,293
Fee and commission paid	(4,638)	(2,618)
Other income received	1,847	543
Operating expenses paid	(19,634)	(7,411)
Cash (outflow)/inflow from operating activities before changes in operating assets and liabilities	(6,020)	6,895
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan	(3,532)	(3,748)
Funds deposited with Central Bank of Russian Federation	(473)	(150)
Funds deposited with National Bank of the Kyrgyz Republic	-	(16)
Funds deposited with National Bank of Tajikistan	31	(29)
Precious metals	369	(603)
Financial assets at fair value through profit or loss	33,465	5,218
Loans and advances to banks and other financial institutions	(9,014)	29,302
Loans to customers	74,928	4,607
Other assets	(622)	(3,838)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(1,327)	3,174
Customer accounts	(85,648)	(50,671)
Other liabilities	9,758	5,765
Cash inflow/(outflow) from operating activities before taxation	11,915	(4,094)
Income tax paid	(7,653)	(278)
Net cash inflow/(outflow) from operating activities	4,262	(4,372)

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2015 (UNAUDITED)

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(397)	(1,141)
Proceeds on sale of property and equipment	84	327
Dividends received	13	1,103
Proceeds on maturity and from sale of investments available-for-sale	34,907	9,659
Purchase of investments available-for-sale	(81)	(9,455)
Purchase of investment property	(1,778)	(5,495)
Proceeds from disposal of investment property	1,094	-
Purchase of investments held to maturity	(4,976)	-
Proceeds on maturity of investments held to maturity	-	912
Purchase of share in subsidiary	(73,498)	-
Net cash outflow from investing activities	<u>(44,632)</u>	<u>(4,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares	73,510	-
Repurchase of treasury shares	(68)	-
Proceeds from treasury shares	-	23
Proceeds from debt securities issued	49,719	6
Repurchase and repayment of debt securities issued	(415)	(520)
Repayment of other borrowed funds	3,163	(1,495)
Repayment of subordinated debt	(6,996)	-
Dividends paid on preference shares	(242)	-
Net cash inflow/(outflow) from financing activities	<u>118,671</u>	<u>(1,986)</u>
Effect of changes in foreign exchange rate on cash and cash equivalents	1,485	23,779
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,786	13,331
CASH AND CASH EQUIVALENTS, beginning of period (Note 10)	<u>305,538</u>	<u>274,985</u>
CASH AND CASH EQUIVALENTS, end of period (Note 10)	<u><u>385,324</u></u>	<u><u>288,316</u></u>

During the three months ended 31 March 2015, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 35,296 million and other assets in the amount of KZT 340,405 million. During the three months ended 31 March 2014, the Group made non-cash transfers from investment property to assets classified as held for sale in the amount of KZT 275 million. These non-cash transfers were excluded from the interim consolidated statement of cash flows.

On behalf of the Management Board of the Bank:

Auezov M.M.

Chairperson of the Board

1 June 2015
Almaty


Shoibekova G.K.
Chief Accountant

1 June 2015
Almaty

The notes on pages 10-28 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2015 (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”) in accordance with the license No. 1.2.16/222/32 dated 2 December 2014. 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 31 March 2015 and 31 December 2014, the Bank has 23 branches in the Republic of Kazakhstan.

Kazkommertsbank is the Parent company of the banking group (“the Group”), which includes the following subsidiaries consolidated in the interim condensed consolidated financial information for the three months ended 31 March 2015 and in the consolidated financial statements for the year ended 31 December 2014:

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		31 March 2015 (unaudited)	31 December 2014	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	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 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%	100%	Management of distressed assets
KUSA KKB-2 LLP	Republic of Kazakhstan	100%	100%	Management of distressed assets
KUSA-KKB-3 LLP	Republic of Kazakhstan	100%	100%	Management of distressed assets
Kazkom Realty LLP	Republic of Kazakhstan	100%	100%	Management of distressed assets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	-	95.75%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund
JSC BTA Bank and related subsidiaries*	Republic of Kazakhstan	94.83%	47.42%	Banking operations

*JSC BTA Bank prepared consolidated financial statements for the year ended 31 December 2014 which is publicly available.

On 16 February 2015, the Bank has sold its stake in a subsidiary company, OJSC Kazkommertsbank Kyrgyzstan, within the process of optimizing the subsidiaries, in accordance with sale agreement of shares approved by the Board of Directors of the Bank on 29 January 2015.

On 3 March 2015, the Bank acquired 304,187,299,781 common shares of JSC BTA Bank at a price of KZT 0.24162 per common share from Kenes Rakishev. This was in line with the integration model approved by the shareholders of the two banks on 26 December 2014. As a result, the Bank's holding in JSC BTA Bank increased to 94.83%.

2. BASIS OF PRESENTATION

Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting (“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 interim condensed 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 2014.

The preparation of the interim condensed consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the 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 interim condensed 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 interim condensed consolidated financial information is the Kazakhstan tenge (“KZT”).

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim condensed consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2014. There were no changes in accounting policies during the three months ended 31 March 2015.

4. NET INTEREST INCOME

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
Interest income comprise:		
Interest income on financial assets recorded at amortized cost:		
- interest income on collectively assessed impaired financial assets*	5,115	-
- interest income on financial assets that have been assessed individually for impairment*	22,341	-
- interest income on financial assets that are not impaired including collectively not impaired loans*	48,346	-
- interest income on homogenous and individually assessed watch assets	-	42,907
- interest income on impaired financial assets	-	5,411
- interest income on unimpaired financial assets	-	6,244
Interest income on financial assets at fair value through profit or loss	1,541	1,227
Interest income on investments available-for-sale	3,819	-
Total interest income	81,162	55,789
Interest income on financial assets recorded at amortized cost comprise:		
Interest on loans to customers	62,893	53,998
Interest on loans and advances to banks and other financial institutions	2,782	473
Interest on investments held to maturity	452	91
Interest income on bonds of JSC NWF Samruk-Kazyna	9,675	-
Total interest income on financial assets recorded at amortized cost	75,802	54,562
Interest income on financial assets at fair value through profit or loss:		
Interest income on financial assets held-for-trading	1,541	1,227
Total interest income on financial assets at fair value through profit or loss	1,541	1,227
Interest income on investments available-for-sale	3,819	-
Total interest income	81,162	55,789
Interest expense comprise:		
Interest expense on financial liabilities recorded at amortized cost	49,123	28,466
Total interest expense	49,123	28,466
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on customer accounts	22,651	18,892
Interest on debt securities issued	9,306	5,397
Interest on subordinated debt	2,106	2,152
Interest on loans and advances from banks and other financial institutions	14,346	1,532
Preference share dividends	242	226
Other interest expense	472	267
Total interest expense on financial liabilities recorded at amortized cost	49,123	28,466
Net interest income before provision for impairment losses on interest bearing assets	32,039	27,323

*Starting from 2014 the collectively assessed loan portfolio includes both partly retail portfolio and partly SME portfolio. This amendment did not affect the total amount of interest income.

5. ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

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 12)	Investments available-for- sale (KZT million)	Total (KZT million)
31 December 2013	171	978,753	186	979,110
Additional provision recognized	-	9,774	-	9,774
Write-off of assets	-	(1,976)	-	(1,976)
Foreign exchange difference	25	114,263	-	114,288
31 March 2014 (unaudited)	<u>196</u>	<u>1,100,814</u>	<u>186</u>	<u>1,101,196</u>
31 December 2014	-	508,276	144	508,420
Additional provision recognized	18	7,488	-	7,506
Write-off of assets	-	(78,023)	-	(78,023)
Repayment of previously written off assets	-	984	-	984
Disposal of a subsidiary company	-	(259)	-	(259)
Foreign exchange difference	(18)	940	-	922
31 March 2015 (unaudited)	<u>-</u>	<u>439,406</u>	<u>144</u>	<u>439,550</u>

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

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
Net loss on financial assets and liabilities held-for-trading comprise:		
Net loss on operations with derivative financial instruments	(13,501)	(3,264)
Unrealized loss on fair value adjustment	(3,648)	(872)
Realized (loss)/gain on trading operations	<u>(358)</u>	<u>16</u>
Net loss on financial assets and liabilities at fair value through profit or loss	<u>(17,507)</u>	<u>(4,120)</u>

7. OPERATING EXPENSES

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
Staff costs	8,573	4,253
Legal and consulting services	4,314	143
Taxes, other than income tax	1,775	592
Depreciation and amortization	1,059	748
Lease	861	511
Property and equipment maintenance	801	527
Expenses on repossessed assets	491	72
Security	361	193
Communications costs	296	161
Bank card services	276	228
Advertising costs	234	127
Other expenses	1,652	604
	<u>20,693</u>	<u>8,159</u>

8. 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.

Relationships between tax expenses and accounting profit for the three months ended 31 March 2015 and 2014 are explained as follows:

	Three months ended 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
Profit before income tax	<u>4,793</u>	<u>5,166</u>
Tax at the statutory tax rate (20%)	959	1,033
Tax effect of permanent differences:		
- tax exempt income	(2,333)	(804)
- non-deductible expense	<u>2,324</u>	<u>943</u>
Income tax expense	<u>950</u>	<u>1,172</u>
Current income tax expense	7,683	352
Deferred income tax (benefit)/expense	<u>(6,733)</u>	<u>820</u>
Income tax expense	<u>950</u>	<u>1,172</u>

The corporate income tax rate in the Republic of Kazakhstan was 20% during the three months ended 31 March 2015 and 2014.

	Three months ended 31 March 2015 (unaudited) (KZT million)	Year ended 31 December 2014 (KZT million)
Deferred income tax assets		
As at beginning of the period	(6,022)	(1,730)
Deferred income tax benefit recognized in statement of profit or loss	(6,733)	(4,258)
Change in hedging reserve	(17)	(49)
Change in investments available-for-sale reserve	(45)	(154)
Change in deferred tax liability from revaluation of property and equipment	(4)	(349)
Acquisition of JSC BTA Bank	-	214
Sale and merger of subsidiary organizations	4	-
Other	26	304
	<u>(12,791)</u>	<u>(6,022)</u>
As at end of the period	<u>(12,791)</u>	<u>(6,022)</u>

9. 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 31 March 2015 (unaudited) (KZT million)	Three months ended 31 March 2014 (unaudited) (KZT million)
Basic and diluted earnings per share		
Net profit attributable to equity holders of the Parent	4,130	3,880
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(396)	(332)
	<u>3,734</u>	<u>3,548</u>
Net profit attributable to ordinary shareholders	3,734	3,548
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>716,267,004</u>	<u>777,863,403</u>
Earnings per share – basic and diluted (KZT)	<u>5.21</u>	<u>4.56</u>

The book value per share for each type of shares as at 31 March 2015 and 31 December 2014 is as follows:

Type of shares	Outstanding shares	31 March 2015 (unaudited)		31 December 2014		
		Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	797,105,309	408,282	512.21	669,527,165	406,813	607.61
Preferred shares	122,797,109	14,881	121.19	122,273,402	14,419	117.92
		<u>423,163</u>			<u>421,232</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 the 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.

10. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Cash on hand	80,050	84,002
Balances with the national (central) banks	<u>196,710</u>	<u>108,360</u>
	<u>276,760</u>	<u>192,362</u>

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

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)	31 March 2014 (unaudited) (KZT million)
Cash and balances with national (central) banks	276,760	192,362	196,732
Loans and advances to banks with original maturities less than 3 months	104,675	100,926	126,586
REPO with banks original maturity of less than 3 months	59,945	64,506	11,263
Less funds deposited with the National Bank of the Republic of Kazakhstan (“the NBRK”)	(54,100)	(50,568)	(43,751)
Less funds deposited with the Central Bank of Russian Federation (“the CBR”)	(1,846)	(1,373)	(2,252)
Less funds deposited with the National Bank of the Kyrgyz Republic (“the NBKR”)	-	(174)	(155)
Less funds deposited with the National Bank of Tajikistan (“the NBT”)	(110)	(141)	(107)
	<u>385,324</u>	<u>305,538</u>	<u>288,316</u>

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

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Debt securities	84,047	112,357
Derivative financial instruments	10,694	17,669
Equity investments	39,842	45,901
Total financial assets at fair value through profit or loss	<u>134,583</u>	<u>175,927</u>
	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Derivative financial instruments	31,978	20,791
Total financial liabilities at fair value through profit or loss	<u>31,978</u>	<u>20,791</u>

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

	31 March 2015 (unaudited)		31 December 2014	
	Nominal interest rate	Amount	Nominal interest rate	Amount
	%	(KZT million)	%	(KZT million)
Debt securities:				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.30-8.75	64,203	3.30-8.75	77,937
Bonds of Kazakhstani companies	5.00-13.00	3,940	5.00-13.00	5,467
Bonds of Kazakhstani banks	5.50-11.00	3,784	5.50-13.00	4,532
Eurobonds of Kazakhstani companies	4.63-6.95	2,474	4.63-6.95	3,449
Treasury bonds of the USA	9.88	2,129	8.13	228
Bonds of Russian banks	8.15-10.75	1,954	7.90-9.00	297
Eurobonds of Kazakhstani banks	7.25-9.88	1,830	7.25-9.88	1,986
Bonds of Development Bank of Kazakhstan	6.00-6.50	1,248	6.00-6.50	1,209
Municipal bonds of the RF	14.50	1,164	12.85	1,124
Bonds of international financial organizations, foreign banks and foreign financial organizations	4.77-6.08	433	4.64-5.00	410
Municipal bonds of the Republic of Kazakhstan	6.20	340	6.20	608
Bonds of Russian companies	7.90-9.00	315	8.15-10.75	3,306
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	3.88-4.88	233	3.88-4.88	10,735
Other bonds on foreign issuers	-	-	7.88	425
Treasury bills of the Ministry of Finance of Canada	-	-	9.00	393
Government bonds of countries outside the OECD	-	-	12.50	109
Eurobonds of Russian banks	-	-	6.13	75
Eurobonds of the Government of the RF	-	-	7.85	67
		<u>84,047</u>		<u>112,357</u>

	31 March 2015 (unaudited)		31 December 2014	
	Ownership share	Amount	Ownership share	Amount
	%*	(KZT million)	%*	(KZT million)
Equity investments:				
GDRs of Kazakhstani companies	0.00-2.26	20,589	0.00-2.17	22,552
Shares of foreign banks	0.00-10.91	14,970	10.82	16,983
Shares of Kazakhstani companies	0.00-3.57	3,957	0.00-3.56	5,308
Shares of Kazakhstani banks*	-	301	-	327
Shares of foreign companies*	-	25	-	731
		39,842		45,901

*Ownership interest in equity securities is below 1%, if not indicated otherwise.

As at 31 March 2015, the fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT 55,110 million (31 December 2014: KZT 73,763 million).

As at 31 March 2015, 10.91% (31 December 2014: 10.82%) share in equity of Sekerbank TAS was accounted within financial assets at fair value through profit or loss. The fair value of the share in equity of Sekerbank TAS as at 31 March 2015 was KZT 14,971 million (31 December 2014: KZT 16,983 million).

	Notional amount	31 March 2015 (unaudited)		Notional amount	31 December 2014	
		Fair value (KZT million)			Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
<i>Foreign exchange contracts:</i>						
Swaps	375,176	10,353	(27,208)	498,429	15,496	(12,195)
Forwards	-	-	-	17,323	1,160	-
Spot	4,846	2	(8)	3,709	2	(5)
Option	1,312	339	-	1,300	232	-
<i>Interest rate contracts:</i>						
Swaps	4,288	-	(442)	4,275	-	(453)
<i>Other:</i>						
Forward on securities	8,347	-	(4,320)	9,227	-	(7,359)
Spot on purchase of securities	-	-	-	-	779	(779)
		10,694	(31,978)		17,669	(20,791)

As at 31 March 2015, 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.

12. LOANS TO CUSTOMERS

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Recorded as loans and receivables:		
Originated loans	2,515,841	2,624,593
Net investments in finance lease	5,499	5,831
	<u>2,521,340</u>	<u>2,630,424</u>
Less allowance for impairment losses	<u>(439,406)</u>	<u>(508,276)</u>
	<u><u>2,081,934</u></u>	<u><u>2,122,148</u></u>

Movements in allowances for impairment losses on loans to customers for the three months ended 31 March 2015 and 2014 are disclosed in Note 5.

As at 31 March 2015, the Bank has its own bonds and Eurobonds issued previously by subsidiary Kazkommerts Finance II B.V with a fair value of KZT 1 million (31 December 2014: KZT 1 million) pledged as collateral for certain loans.

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Analysis by sector:		
Housing construction	513,667	503,710
Individuals	396,473	411,086
Real estate	188,985	177,548
Wholesale and retail trade	169,432	161,015
Hospitality business	146,735	154,458
Production of other non-metal materials	100,095	130,660
Energy	73,300	76,011
Industrial and other construction	71,555	87,224
Commercial real estate construction	58,110	54,838
Investments and finance	54,325	54,266
Transport and communication	51,569	53,771
Mining and metallurgy	32,317	29,855
Agriculture	28,197	27,959
Food industry	18,279	18,690
Production of construction materials	9,770	6,928
Machinery construction	9,138	9,589
Medicine	5,938	6,207
Other	154,049	158,333
	<u>2,081,934</u>	<u>2,122,148</u>

During the three months ended 31 March 2015 and year ended 31 December 2014, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 March 2015, such assets in the amount of KZT 26,975 million (31 December 2014: KZT 411,346 million) are included in assets classified as held for sale in the consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions. As at 31 March 2015 and 31 December 2014, the Group received assets by taking possession of collateral it held as security, which represents construction in progress. As at 31 March 2015, such assets in the amount of KZT 9,009 million (31 December 2014: KZT 8,971 million) are included in assets classified as held for sale in the consolidated statement of financial position.

As at 31 March 2015, the Group granted loans to borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 561,205 million (31 December 2014: KZT 609,161 million).

As at 31 March 2015, a significant part of loans 86.92% (31 December 2014: 86.94%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

13. CUSTOMER ACCOUNTS

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Recorded at amortized cost:		
Time deposits	1,612,859	1,689,999
Demand deposits	579,033	571,306
Accounts in precious metals	2,448	2,835
	<u>2,194,340</u>	<u>2,264,140</u>

As at 31 March 2015, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 14,644 million (31 December 2014: KZT 15,754 million).

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Analysis by sector:		
Individuals	956,076	1,005,280
Chemical and petrochemical industry	270,297	293,540
Public organizations and unions	220,421	216,943
Government related entities	206,168	207,465
Investments and finance	86,077	108,519
Education	66,654	55,512
Construction	56,201	56,343
Individual services	54,839	56,950
Wholesale and retail trade	53,022	63,944
Transport and communication	37,207	50,543
Mining and metallurgy	22,419	21,179
Distribution of electricity, gas and water	14,093	21,010
Agriculture	11,621	9,917
Other	139,245	96,995
	<u>2,194,340</u>	<u>2,264,140</u>

14. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Recorded at amortized cost:					
Eurobonds:					
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	50,546	49,584
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	53,325	52,366
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	74,169	82,553
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	54,532	53,561
				<u>232,572</u>	<u>238,064</u>
(Less)/including:					
Discount on Eurobonds issued				(1,023)	(1,172)
Accrued interest on Eurobonds issued				5,426	6,576
				<u>236,975</u>	<u>243,468</u>
Total issued Eurobonds					
Debt securities issued of JSC Kazkommertsbank at the price 99.97%	KZT	November 2019	8.40	61,745	60,514
Debt securities issued of JSC Kazkommertsbank at the price 99.95%	KZT	January 2022	8.75	50,390	-
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%	KZT	April 2016	9.00	2,451	2,403
Issued promissory notes of OJSC Moskommertsbank	USD, EUR, RUR	January 2018	2.50-12.00	1,292	1,185
Issued bonds of Moscow Stars B.V. at the price of 99.00%	USD	January 2022	1.92-5.42	3,434	3,310
Debt securities issued of JSC BTA Bank	USD, KZT	February 2016	7.60-8.60	3,830	3,878
Debt securities previously issued by JSC BTA Bank	USD	December 2022	5.50	106,522	102,162
				<u>466,639</u>	<u>416,920</u>

During the three months ended 31 March 2015, the Bank did not repurchase debt securities issued (during 2014: KZT 737 million).

During the three months ended 31 March 2015, the Bank did not sell repurchased debt securities issued (during 2014: KZT 120 million).

On 12 February 2015, through specialized trades, the Bank had placed bonds on KASE, issued in accordance with legislation of the Republic of Kazakhstan and with the maturity period in January 2022 and the yield to maturity of 8.75% per annum in the total nominal amount of KZT 19,900 million at the price of 99.95% of the nominal value (excluding commissions paid at placement). On 5 March 2015, through specialized trades, the Bank has additionally placed bonds, the same issue, on KASE. The bonds with the yield to maturity of 8.75% per annum were placed in the total nominal amount of KZT 29,600 million at the price of 99.93% of the nominal value (excluding commissions paid at placement).

15. 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 31 March 2015, provision for losses on guarantees and other contingencies amounted to KZT 610 million (31 December 2014: KZT 686 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the standardized approach provided for under Basel 2 standards.

As at 31 March 2015, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 45,940 million (31 December 2014: KZT 47,682 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 31 March 2015 and 31 December 2014, the nominal or contract amounts and risk-weighted amounts were:

	31 March 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Contingent liabilities and credit commitments:		
Guarantees issued and similar commitments	67,100	70,029
Commitments on loans and unused credit lines	11,580	12,491
Letters of credit and other transaction related to contingent obligations	4,402	4,250
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	21	21
	<u>83,103</u>	<u>86,791</u>
Less collateral in cash	(14,439)	(15,754)
Less provision for guarantees and other contingencies	(610)	(686)
Total contingent liabilities and credit commitments, net	<u>68,054</u>	<u>70,351</u>
Total risk-weighted amount	<u>58,974</u>	<u>66,134</u>

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 March 2015, the amount of contingent liabilities on such unused credit lines equals to KZT 243,470 million (31 December 2013: KZT 271,750 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 for any reason including in case: the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

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 interim condensed consolidated financial information.

The Group is subject to various legal proceedings related to business operations, mainly related to JSC BTA Bank.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reliably measured. No provision has been made in this interim condensed consolidated financial information for any of the contingent liabilities mentioned below.

BTA Bank (Kyrgyzstan)

In 2009, JSC BTA Bank (Kazakhstan) was subject to a raiding action and, as a result, was assessed by the court to pay GBP 30,418,143 or KZT 7,751 million. As part of enforcement of this decision, shares of CJSC BTA Bank (Kyrgyzstan), owned by JSC BTA Bank (Kazakhstan) were seized, which led to loss of control over CJSC BTA Bank (Kyrgyzstan). As a result of actions performed, the decision on recovery was cancelled.

In order to return the shares ownership, JSC BTA Bank (Kazakhstan) filed a claim to recognize the sale of shares as invalid. On 6 December 2012, the decision of the Bishkek interdistrict court on acknowledgment of the sale of shares as invalid came into legal force. The specified decision was not executed before the issuance of this interim condensed consolidated financial information (shares are not registered in favor of the JSC BTA Bank (Kazakhstan)) as a result of prolonged proceeding on the cancellation of existing arrests. As a result, the Group did not consolidate CJSC BTA Bank (Kyrgyzstan).

Şekerbank TAS

In accordance with the decision of the Commercial Court of Istanbul dated 7 February 2012 at the request of Türkiye Vakıflar Bankası TAO provisional arrest was imposed on 101,726,214 shares of Şekerbank TAŞ belonging to Subsidiary Company of JSC BTA Bank Joint Stock Company BTA Securities (“BTA Securities”) together with the prohibition to transfer these shares to third parties. The issue regarding removal of seizure of shares belonging to BTA Securities was considered during court sessions on 13 May 2013, 11 September 2013, 5 February 2014 and 2 June 2014. On 5 February 2015, a regular hearing took place. The next court session was held on 9 April 2015. The defenses (JSC BTA Bank and BTA Securities) in respect of provisional arrest were dismissed. At this meeting, it was decided to request additional information and to send the case to a commission of experts. The next meeting is scheduled for 25 June 2015.

As at the date of issue of this interim condensed consolidated financial information, Management believes that it is not probable that the outcome of the legal proceedings will result in a loss for the Group.

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.

16. 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:

	31 March 2015 (unaudited) (KZT million)		31 December 2014 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans and advances to banks and other financial institutions				
- entities with joint control or significant influence over the entity	7,909	219,039	3,531	208,550
- associates	3,902		-	
	4,007		3,531	
Loans to customers	8	2,521,340	9	2,630,424
- key management personnel of the entity or its parent	8		9	
Allowance for impairment losses on loans to customers	(1)	(439,406)	(2)	(508,276)
- key management personnel of the entity or its parent	(1)		(2)	
Loans and advances from banks and other financial institutions				
- entities with joint control or significant influence over the entity	402	679,608	20	682,856
- associates	402		-	
	-		20	
Customer accounts				
- parent company	5,896	2,194,340	6,079	2,264,140
- entities with joint control or significant influence over the entity	1,856		1,896	
- key management personnel of the entity or its parent	296		-	
- other related parties	3,650		4,072	
	94		111	
Commitments on loans and unused credit lines				
- key management personnel of the entity or its parent	112	11,580	215	12,491
	112		215	

As at 31 March 2015, the amount of contingent liabilities on unused credit lines of related parties equals to KZT 10 million (31 December 2014: KZT 10 million).

Included in the interim consolidated statement of profit or loss for the three months ended 31 March 2015 and 2014 are the following amounts which arose due to transactions with related parties:

	Three months ended 31 March 2015 (unaudited) (KZT million)		Three months ended 31 March 2014 (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	12	81,162	111	55,789
- <i>entities with joint control or significant influence over the entity</i>	12		-	
- <i>key management personnel of the entity or its parent</i>	-		111	
Interest expense	(67)	(49,123)	(72)	(28,466)
- <i>parent company</i>	(5)		(21)	
- <i>entities with joint control or significant influence over the entity</i>	(19)		-	
- <i>key management personnel of the entity or its parent</i>	(43)		(50)	
- <i>other related parties</i>	-		(1)	
Operating expenses	(75)	(20,693)	(152)	(8,159)
<i>Short-term employee benefits</i>	(75)		(152)	
Recovery of provision/(provision) for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(2)	(7,808)	3	(8,415)
- <i>key management personnel of the entity or its parent</i>	(2)		3	

Key management personnel compensation for the three months ended 31 March 2015 and 2014 is represented by short-term employee benefits.

As at 31 March 2015 and 31 December 2014, the Group does not pledge any assets in connection with guarantees issued to management.

17. SEGMENT REPORTING

Business segments

The Group presents operating segments on the basis of four 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 three months ended 31 March 2015
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	17,742	43,317	19,732	371	-	-	81,162
Internal interest income	15,940	10,916	59,796	-	-	(86,652)	-
External interest expenses	(11,151)	(20,026)	(17,946)	-	-	-	(49,123)
Internal interest expenses	(9,954)	(41,802)	(34,896)	-	-	86,652	-
Net interest income before provision for impairment losses on interest bearing assets	12,737	(7,596)	26,533	371	-	(6)	32,039
Provision for impairment losses on interest bearing assets	(4,305)	(3,183)	(18)	-	-	-	(7,506)
NET INTEREST INCOME	8,432	(10,779)	26,515	371	-	(6)	24,533
Net loss on financial assets and liabilities at fair value though profit or loss	141	(265)	(17,245)	(138)	-	-	(17,507)
Net loss on foreign exchange and precious metals operations	1,018	(8,635)	14,742	252	-	194	7,571
Fee and commission income	6,581	3,774	117	4	-	(53)	10,423
Fee and commission expense	(3,800)	(380)	(479)	(36)	-	53	(4,642)
Net realized loss on investments available-for-sale	-	-	841	(14)	-	-	827
Dividend income	-	(3)	16	-	-	-	13
Other income	(278)	599	574	1,543	-	(245)	2,193
NET NON-INTEREST EXPENSES	3,662	(4,910)	(1,434)	1,611	-	(51)	(1,122)
OPERATING EXPENSES	(8,174)	(11,532)	(347)	(885)	-	245	(20,693)
PROFIT BEFORE OTHER OPERATING PROVISIONS	3,920	(27,221)	24,734	1,097	-	188	2,718
Provision for impairment losses on other transactions	115	509	(88)	(916)	-	-	(380)
Recovery of provision for guarantees and other contingencies	-	78	-	-	-	-	78
Share of profits of associates	-	-	2,017	-	-	-	2,017
Profit on sale of a subsidiary	-	360	-	-	-	-	360
PROFIT BEFORE INCOME TAX	4,035	(26,273)	26,662	181	-	188	4,793
Segment assets	460,150	1,931,129	1,524,833	677,463	12,019	(363,163)	4,242,431
Segment liabilities	1,021,601	1,293,461	1,722,832	568,557	7,078	(788,445)	3,825,084

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the three months ended 31 March 2014
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	11,627	42,370	1,449	343	-	-	55,789
Internal interest income	12,272	10,047	58,971	-	-	(81,290)	-
External interest expenses	(9,460)	(9,792)	(9,214)	-	-	-	(28,466)
Internal interest expenses	(7,199)	(29,901)	(44,190)	-	-	81,290	-
Net interest income before provision for impairment losses on interest bearing assets	7,240	12,724	7,016	343	-	-	27,323
Provision for impairment losses on interest bearing assets	515	(10,295)	6	-	-	-	(9,774)
NET INTEREST INCOME	7,755	2,429	7,022	343	-	-	17,549
Net loss on financial assets and liabilities at fair value through profit or loss	-	-	(4,059)	(61)	-	-	(4,120)
Net loss on foreign exchange and precious metals operations	340	(755)	(8,707)	1,324	-	-	(7,798)
Fee and commission income	4,304	2,231	558	-	-	-	7,093
Fee and commission expense	(2,253)	(226)	(123)	(28)	-	-	(2,630)
Net realized loss on investments available-for-sale	-	-	(33)	-	-	-	(33)
Dividend income	-	-	1,085	18	-	-	1,103
Other income	228	300	(279)	553	-	-	802
NET NON-INTEREST EXPENSES	2,619	1,550	(11,558)	1,806	-	-	(5,583)
OPERATING EXPENSES	(4,768)	(2,381)	(399)	(611)	-	-	(8,159)
PROFIT BEFORE OTHER OPERATING PROVISIONS	5,606	1,598	(4,935)	1,538	-	-	3,807
Provision for impairment losses on other transactions	-	(302)	10	(459)	-	-	(751)
Recovery of provision for guarantees and other contingencies	-	2,110	-	-	-	-	2,110
PROFIT BEFORE INCOME TAX	5,606	3,406	(4,925)	1,079	-	-	5,166
Segment assets	796,544	2,198,807	1,492,044	129,073	16,537	(385,928)	4,247,077
Segment liabilities	1,043,437	1,897,175	1,684,900	19,693	2,602	(816,771)	3,831,036

18. SUBSEQUENT EVENTS

On 21 April 2015, through the specialized trades, the Bank had additionally placed bonds on KASE, maturing in January 2022, with a yield to maturity of 8.75% per annum, in the total nominal amount of KZT 39,651 million.