

# **JOINT STOCK COMPANY KAZKOMMERTSBANK**

**Interim Condensed Consolidated  
Financial Information**  
For the six months ended 30 June 2015 (unaudited)

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## TABLE OF CONTENTS

---

	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)	1
INDEPENDENT AUDITORS' REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED):	
Interim consolidated statement of profit or loss (unaudited)	3
Interim consolidated statement of 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)	10-39

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

---

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of the Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 30 June 2015 and the results of its operations for the three and the six month period then ended, as well as cash flows and changes in equity for the six 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 are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the 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
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the three and the six months ended 30 June 2015 was approved by the Management Board of JSC Kazkommertsbank on 24 August 2015.

On behalf of the Management Board of the Bank:

  
Auezy M.M.  
Chief Executive Officer

24 August 2015  
Almaty

  
Shoinbekova G.K.  
Chief Accountant

24 August 2015  
Almaty

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

To the Shareholders and the Board of Directors of JSC Kazkommertsbank:

### **Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of JSC Kazkommertsbank and its subsidiaries ("the Group") as at 30 June 2015 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and the six months then ended, the interim consolidated statements of changes in equity and cash flows for the six months ended 30 June 2015, 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 ("IAS") 34, Interim Financial Reporting. 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*

24 August 2015  
Almaty



# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

	Notes	Three months ended 30 June 2015 (unaudited) (KZT million)	Three months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)
Interest income	4, 16	96,345	63,455	151,748	119,244
Interest expense	4, 16	(31,521)	(29,259)	(63,623)	(57,725)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		64,824	34,196	88,125	61,519
Provision for impairment losses on interest bearing assets	5, 16	(46,039)	(17,586)	(42,698)	(27,360)
NET INTEREST INCOME		18,785	16,610	45,427	34,159
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	226	442	(18,097)	(3,678)
Net (loss)/gain on foreign exchange and precious metals operations		(4,041)	9	12,046	(7,789)
Fee and commission income		11,090	7,632	18,846	14,725
Fee and commission expense		(3,064)	(2,888)	(5,869)	(5,518)
Net realized loss on investments available-for- sale		(991)	(27)	(164)	(60)
Dividend income		1,046	170	1,054	1,273
Other income		2,792	222	5,235	1,045
Impairment of assets classified as held for sale		(3,999)	(44)	(4,007)	(65)
NET NON-INTEREST INCOME/(EXPENSE)		3,059	5,516	9,044	(67)
OPERATING EXPENSES	7, 16	(12,883)	(9,130)	(24,342)	(17,289)
PROFIT BEFORE OTHER OPERATING PROVISIONS		8,961	12,996	30,129	16,803
Provision for impairment losses on other transactions	16	(2,560)	(768)	(2,828)	(1,519)
Recovery of provision for guarantees and other contingencies	16	402	389	383	2,499
PROFIT BEFORE INCOME TAX		6,803	12,617	27,684	17,783
Income tax benefit/(expense)	8	1,479	(2,738)	(3,258)	(3,910)
NET PROFIT FROM CONTINUING OPERATIONS		8,282	9,879	24,426	13,873
Loss from discontinued operations	1	(66,902)	-	(79,203)	-
NET (LOSS)/PROFIT		(58,620)	9,879	(54,777)	13,873
Attributable to:					
Ordinary shareholders of the Parent		(55,414)	8,726	(51,284)	12,274
Preference shareholders of the Parent		-	1,152	-	1,484
Non-controlling interest		(3,206)	1	(3,493)	115
		(58,620)	9,879	(54,777)	13,873
EARNINGS PER SHARE					
Basic and diluted (KZT)	9	(69.5)	11.2	(68.0)	15.7

On behalf of the Management Board of the Bank:

Auezov M.M.  
Chief Executive Officer

24 August 2015  
Almaty

Shoinbekova G.K.  
Chief Accountant

24 August 2015  
Almaty

The notes on pages 10-39 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

	Three months ended 30 June 2015 (unaudited) (KZT million)	Three months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)
<b>NET (LOSS)/ PROFIT FOR THE PERIOD</b>	<u>(58,620)</u>	<u>9,879</u>	<u>(54,777)</u>	<u>13,873</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Net gain/(loss) resulting on revaluation of property	35	(63)	1,305	(10)
Income tax	<u>18</u>	<u>26</u>	<u>22</u>	<u>26</u>
	<u>53</u>	<u>(37)</u>	<u>1,327</u>	<u>16</u>
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	4,713	1,870	2,686	4,105
Net gain/(loss) resulting on revaluation of available-for-sale investments during the period	1,443	24	568	(74)
Reclassification adjustment relating to available-for-sale investments disposed of in the period	991	27	164	60
Net loss on cash flows hedges	(91)	(41)	(179)	(81)
Income tax	<u>(76)</u>	<u>48</u>	<u>(14)</u>	<u>23</u>
	<u>6,980</u>	<u>1,928</u>	<u>3,225</u>	<u>4,033</u>
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>	<u>7,033</u>	<u>1,891</u>	<u>4,552</u>	<u>4,049</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME</b>	<u>(51,587)</u>	<u>11,770</u>	<u>(50,225)</u>	<u>17,922</u>
Attributable to:				
Ordinary shareholders of the Parent	(53,927)	10,806	(49,720)	15,765
Preference shareholders of the Parent	241	959	253	2,033
Non-controlling interest	<u>2,099</u>	<u>5</u>	<u>(758)</u>	<u>124</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME</b>	<u>(51,587)</u>	<u>11,770</u>	<u>(50,225)</u>	<u>17,922</u>

On behalf of the Management Board of the Bank:

  
Auezov M.M.  
Chief Executive Officer

24 August 2015  
Almaty

  
Shoinbekova G.K.  
Chief Accountant

24 August 2015  
Almaty

The notes on pages 10-39 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015 (UNAUDITED)

	Notes	30 June 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
<b>ASSETS:</b>			
Cash and balances with national (central) banks	10	502,058	192,362
Precious metals		2,378	2,826
Financial assets at fair value through profit or loss	11	128,627	175,927
Loans and advances to banks and other financial institutions	16	189,204	208,550
Loans to customers	12, 16	2,546,035	2,122,148
Bonds of JSC National Welfare Fund Samruk-Kazyna		-	659,116
Investments available-for-sale	16	36,558	94,606
Investments held to maturity		24,687	18,440
Investments in associates		-	8,840
Goodwill		-	171
Investment property		7,516	60,953
Property, equipment and intangible assets		40,681	48,234
Deferred income tax assets	8	10,722	6,022
Other assets	16	89,338	214,658
Assets classified as held for sale		64,244	434,224
<b>TOTAL ASSETS</b>		<b>3,642,048</b>	<b>4,247,077</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Loans and advances from banks and other financial institutions	16	42,963	682,856
Customer accounts	13, 16	2,424,739	2,264,140
Financial liabilities at fair value through profit or loss	11	27,864	20,791
Debt securities issued	14	511,860	416,920
Other borrowed funds		82,325	216,693
Provisions		45,182	48,672
Dividends payable		466	31
Other liabilities	16	22,986	48,049
Subordinated debt		118,196	122,856
Liabilities directly associated with assets classified as held for sale		8,618	10,028
<b>Total liabilities</b>		<b>3,285,199</b>	<b>3,831,036</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		234,487	160,945
Additional paid-in-capital		(6,405)	(6,405)
Property and equipment revaluation reserve		5,547	7,166
Other reserves		121,614	203,997
<b>Total equity attributable to equity holders of the Parent</b>		<b>355,243</b>	<b>365,703</b>
Non-controlling interest		1,606	50,338
<b>Total equity</b>		<b>356,849</b>	<b>416,041</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,642,048</b>	<b>4,247,077</b>

On behalf of the Management Board of the Bank:

Auezov M.M.  
Chief Executive Officer

24 August 2015  
Almaty



Shoinbekova G.K.  
Chief Accountant

24 August 2015  
Almaty

The notes on pages 10-39 form an integral part of this interim condensed consolidated financial information.



# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit <sup>1</sup>	Cumulative translation reserve <sup>1</sup>	Hedging reserve <sup>1</sup>	Retained earnings <sup>1</sup>	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>31 December 2013</b>	9,044	(45)	194,676	5,779	(153)	(808)	901	161,110	370,504	1,703	372,207
Net profit	-	-	-	-	-	-	-	13,758	13,758	115	13,873
Other comprehensive income	-	-	-	16	(7)	4,096	(65)	-	4,040	9	4,049
Total comprehensive income	-	-	-	16	(7)	4,096	(65)	13,758	17,798	124	17,922
Sale of treasury shares	-	4	11	-	-	-	-	-	15	-	15
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(404)	-	-	-	404	-	-	-
Increase in non-controlling interest as a result of acquisition of BTA	-	-	-	-	-	-	-	-	-	73,844	73,844
Decrease in non-controlling interest as a result of dividend payment	-	-	-	-	-	-	-	-	-	(1,052)	(1,052)
<b>30 June 2014 (unaudited)</b>	<u>9,044</u>	<u>(41)</u>	<u>194,687</u>	<u>5,391</u>	<u>(160)</u>	<u>3,288</u>	<u>836</u>	<u>175,272</u>	<u>388,317</u>	<u>74,619</u>	<u>462,936</u>



# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit <sup>1</sup>	Cumulative translation reserve <sup>1</sup>	Hedging reserve <sup>1</sup>	Retained earnings <sup>1</sup>	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>31 December 2014</b>	213,301	(52,356)	(6,405)	7,166	(1,649)	(3,220)	702	208,164	365,703	50,338	416,041
Net loss	-	-	-	-	-	-	-	(51,284)	(51,284)	(3,493)	(54,777)
Other comprehensive income	-	-	-	868	1,116	(24)	(143)	-	1,817	2,735	4,552
Total comprehensive income	-	-	-	868	1,116	(24)	(143)	(51,284)	(49,467)	(758)	(50,225)
Repurchase of treasury shares	-	32	-	-	-	-	-	-	32	-	32
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(2,487)	-	-	-	2,487	-	-	-
Acquisition of share in BTA	-	-	-	-	-	-	-	(32,551)	(32,551)	-	(32,551)
Disposal of subsidiary	-	-	-	-	-	-	-	(7,010)	(7,010)	(1,941)	(8,951)
Dividend payment	-	-	-	-	-	-	-	-	-	(60)	(60)
Change in non-controlling interest from acquisition of ordinary share capital of subsidiaries	-	-	-	-	-	-	-	-	-	(40,947)	(40,947)
Effect of group reorganization	-	-	-	-	-	-	-	7,387	7,387	(7,387)	-
Effect of simultaneous transfer of assets and liabilities	-	-	-	-	-	-	-	(2,361)	(2,361)	2,361	-
Issue of ordinary share capital	73,510	-	-	-	-	-	-	-	73,510	-	73,510
<b>30 June 2015 (unaudited)</b>	<b>286,811</b>	<b>(52,324)</b>	<b>(6,405)</b>	<b>5,547</b>	<b>(533)</b>	<b>(3,244)</b>	<b>559</b>	<b>124,832</b>	<b>355,243</b>	<b>1,606</b>	<b>356,849</b>

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

On behalf of the Management Board of the Bank:

Auezov M.M.  
Chief Executive Officer

24 August 2015  
Almaty

Shoinbekova G.K.  
Chief Accountant

24 August 2015  
Almaty

The notes on pages 10-39 form an integral part of this interim condensed consolidated financial information.

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

	Six months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received on loans and advances to banks and other financial institutions	1,476	772
Interest received from financial assets at fair value through profit or loss	2,563	2,830
Interest received from loans to customers	54,573	77,836
Interest received from bonds of JSC National Welfare Fund Samruk-Kazyna	28,376	-
Interest received from investments available-for-sale	4,929	945
Interest received from investments held to maturity	639	189
Interest paid on loans and advances from banks and other financial institutions	(7,515)	(2,750)
Interest paid on customer accounts	(57,549)	(39,988)
Interest paid on debt securities issued	(17,466)	(15,277)
Interest paid on other borrowed funds	(1,580)	(484)
Interest paid on subordinated debt	(3,487)	(3,754)
Fee and commission received	25,695	15,011
Fee and commission paid	(9,284)	(5,544)
Other income received	7,503	516
Operating expenses paid	(45,120)	(15,818)
Cash (outflow)/inflow from operating activities before changes in operating assets and liabilities	(16,247)	14,484
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan	8,001	(6,483)
Funds deposited with Central Bank of the Russian Federation	(485)	(195)
Funds deposited with National Bank of the Kyrgyz Republic	-	(9)
Funds deposited with National Bank of Tajikistan	6	(19)
Precious metals	447	(522)
Financial assets at fair value through profit or loss	32,668	(2,471)
Loans and advances to banks and other financial institutions	(152,649)	38,293
Loans to customers	42,910	(19,879)
Other assets	6,449	6,626
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	12,681	(4,790)
Customer accounts	222,176	56,272
Other liabilities	(2,940)	4,433
Cash inflow from operating activities before taxation	153,017	85,740
Income tax paid	(8,083)	(3,332)
Net cash inflow from operating activities	144,934	82,408

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

	Six months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, equipment and intangible assets	(8,930)	(1,766)
Proceeds on sale of property, equipment and intangible assets	7,704	328
Dividends received	1,268	1,273
Proceeds on purchase of subsidiary	-	20,595
Proceeds on sale of investments available-for-sale	32,277	10,044
Purchase of investments available-for-sale	(1,240)	(9,455)
Purchase of investment property	(945)	(15,789)
Proceeds from sale of investment property	76	-
Purchase of investments held to maturity	(2,791)	-
Proceeds on maturity of investments held to maturity	-	912
Acquisition of ordinary share capital of subsidiaries	(73,498)	-
Net cash (outflow)/inflow from investing activities	<u>(46,079)</u>	<u>6,142</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issue of ordinary share capital	73,510	-
Sale of treasury shares	32	15
Proceeds from debt securities issued	94,370	115
Repurchase and repayment of debt securities issued	(415)	(35,990)
Repayment of bonds of JSC National Welfare Fund Samruk-Kazyna	32,250	-
Proceeds from other borrowed funds	3,163	20,000
Repayment of other borrowed funds	-	(1,706)
Repayment of subordinated debt	(6,996)	-
Payment of dividends	(521)	(1,499)
Net cash inflow/(outflow) from financing activities	<u>195,393</u>	<u>(19,065)</u>
Effect of changes in foreign exchange rate on cash and cash equivalents	<u>414</u>	<u>24,429</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	294,662	93,914
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>600,200</u></u>	<u><u>368,899</u></u>

During the six months ended 30 June 2015, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 35,154 million and other assets in the amount of KZT 340,405 million. During the six months ended 30 June 2014, the Group made non-cash transfers from investment property to assets classified as held for sale in the amount of KZT 1,105 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.  
Chief Executive Officer

24 August 2015  
Almaty



Shoinbekova G.K.  
Chief Accountant

24 August 2015  
Almaty

The notes on pages 10-39 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 SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

### 1. ORGANIZATION

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 № 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 30 June 2015 and 31 December 2014, the Bank had 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 six months ended 30 June 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
		30 June 2015 (unaudited)	31 December 2014	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company Kazkommerts International	Republic of Kazakhstan	100%	100%	Payment card processing and other related services
B.V.	Kingdom of the Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of the Netherlands	100%	100%	Raising funds for the Bank on international capital markets
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Banking
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	Insurance
OJSC Commercial Bank Moskommertsbank	Russian Federation	100%	100%	Banking
LLP KUSA-KKB-1	Republic of Kazakhstan	100%	100%	Management of stress assets
LLP KUSA KKB-2	Republic of Kazakhstan	100%	100%	Management of stress assets
LLP KUSA-KKB-3	Republic of Kazakhstan	100%	100%	Management of stress assets
JSC BTA Securities	Republic of Kazakhstan	100%	-	Securities market transactions
JSC BTA Ipoteka	Republic of Kazakhstan	100%	-	Mortgage
JSC Insurance company London- Almaty	Republic of Kazakhstan	100%	-	Insurance



Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		30 June 2015 (unaudited)	31 December 2014	
LLP Alemcard	Republic of Kazakhstan	100%	-	Payment card processing and other related services
JSC SK Leasing	Republic of Kazakhstan	55%	-	Leasing
LLP Titan Inkassatsiya	Republic of Kazakhstan	100%	-	Collection
JSC BTA Life	Republic of Kazakhstan	100%	-	Life insurance
JSC BTA Insurance	Republic of Kazakhstan	99.45%	-	Insurance
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	Pension fund
Kazkommerts Capital II B.V.	Kingdom of the Netherlands	-	100%	Raising funds for the Bank on international capital markets
JSC Grantum Asset Management	Republic of Kazakhstan	-	100%	Management of stress assets
LLP Kazkom Realty	Republic of Kazakhstan	-	100%	Management of stress assets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	-	95.75%	Banking
JSC BTA Bank and related subsidiaries*	Republic of Kazakhstan	-	47.42%	Banking

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

### Shareholders

On 15 June 2015 JSC "BTA Bank" has sold bonds of JSC "National Welfare Fund Samruk-Kazyna in the amount of 645,000,000 to the National Bank of Kazakhstan (NBRK) at the price of 1,000 KZT per bond and additionally transferred the accrued coupon at the date of transaction. Simultaneously the obligations and the accrued interest liability of JSC BTA Bank to NBRK under repurchase agreements were repaid.

As at 30 June 2015 and 31 December 2014 the shareholders of the Bank's common shares are:

	30 June 2015 (unaudited)		31 December 2014	
	Number of shares	% direct ownership*	Number of shares	% direct ownership*
JSC Alnair Capital Holding	223,922,790	28.09	223,922,790	33.43
K.K. Rakishev	194,636,482	24.41	-	-
JSC Central Asian Investment Company	185,561,734	23.28	185,561,734	27.71
JSC National Welfare Fund Samruk-Kazyna	85,517,241	10.73	85,517,241	12.77
N.S. Subkhanberdin	81,807,223	10.26	148,666,001	22.20
Other shareholders	25,754,807	3.23	25,859,399	3.86
<b>Total</b>	<b>797,200,277</b>	<b>100.00</b>	<b>669,527,165</b>	<b>100.00</b>

\* The ownership shares were calculated as the shares of direct ownership of each shareholder in the total number of the common shares outstanding minus the number of common shares bought back by the Bank. JSC Kazkommerts Securities, subsidiary of the Bank, is the market maker of the Bank shares on KASE.

In February 2015 the Bank has placed 20,916 common shares at the price of KZT 575.2 per common share and KZT 1,150.4 per global depository receipt, with the basic asset being the Bank's common shares (two common shares per GDR) among existing shareholders- holders of common shares as part of their pre-emptive rights.

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%. At the same time, Kenes Rakishev purchased 127,777,704 common shares of the Bank at a price of KZT 575.2 per share under the share offering agreement announced earlier. Following this transaction and after receiving necessary regulatory approvals, Kenes Rakishev became a major shareholder of the Bank.

On 30 April 2015, Nurzhan Subkhanberdin has sold a 7.22% stake in KKB, representing 57,544,959 common shares, to the other major shareholder of the Bank, Kenes Rakishev. The transaction was in line with the integration model approved by the shareholders of KKB and BTA Bank on 26 December 2014.

On 29 June 2015, Nurzhan Subkhanberdin has sold a 1.168% stake in KKB, representing 9,313,819 common shares, to the other major shareholder of the Bank, Kenes Rakishev. The transaction was in line with the integration model approved by the shareholders of KKB and BTA Bank on 26 December 2014.

JSC Central Asian Investment Company ("CAIC") owned 186,561,734 common shares of KKB (23.27%) and an additional 56,324,076 common shares carrying voting rights (7.06%) were transferred to trust management under the agreement signed in 2009 with JSC National Welfare Fund Samruk-Kazyna ("the Fund") as part of the government stabilisation programme. Under the agreement between the Fund and CAIC, trust management was due to be in force until either May 2017 or the completion of the integration of KKB and JSC BTA Bank ("BTA"), whichever comes first. Since the integration of KKB and BTA has now been completed, the trust management agreement in respect of 7.06% of KKB's common shares between CAIC and the Fund was terminated effective from 26 June 2015.

To ensure CAIC retains a share of at least 25% in KKB, on 26 June 2015, Mr. N. Subkhanberdin has transferred 43,081,009 common shares (5.4%) into the trust management of CAIC. As at 30 June 2015, comprising the shares transferred from Mr. N. Subkhanberdin, the total amount of KKB's voting common shares that belong to CAIC was equal to 228,642,743 (28.68%)

## **DISCONTINUED OPERATIONS**

### ***JSC BTA Bank***

On 15 June 2015 JSC "BTA Bank" has sold bonds of JSC "National Welfare Fund "Samruk-Kazyna" in the amount of 645,000,000 to the National Bank of Kazakhstan (NBRK) at the price of KZT 1,000 per bond and additionally transferred the accrued coupon at the date of transaction. Simultaneously the obligations and the accrued interest liability of JSC BTA Bank to NBRK under repurchase agreements were repaid.

On 15 June 2015 JSC Kazkommertsbank ("KKB") and JSC BTA Bank ("BTA") have signed an agreement on the simultaneous transfer of assets and liabilities ("the Agreement") between the two banks. Under the Agreement, certain assets and liabilities of BTA were transferred to KKB, and a portion of KKB's distressed assets were transferred to BTA.

According to the Agreement, the following assets and liabilities of BTA were transferred to KKB:

1. All current and savings account balances opened in BTA of legal entities and private individuals;
2. Balances on active card accounts, together with the corresponding payment cards;
3. Claims on loans to small and medium-sized enterprises, corporate and retail clients;
4. BTA's operating branches and offices;
5. Part of BTA's property, equipment and buildings, inventories, securities and cash;
6. Shares in BTA subsidiaries: JSC BTA Insurance, JSC BTA Life, JSC SK Leasing, JSC BTA Securities, JSC BTA Ipoteka, JSC Insurance company London-Almaty, LLP Alem Card and LLP Titan Inkassatsiya.

In turn, the following assets of KKB were transferred to BTA:

1. Claims on loans to corporate clients;
2. Equity interest in LLP Kazkom Realty, the Bank's subsidiary that manages real estate-related distressed assets.

After the simultaneous transfer of assets and liabilities and cancellation of BTA banking license, KKB transferred control over BTA to its main shareholders and excluded BTA from its consolidated financial statement, starting from 30 June 2015.

Disposed assets and liabilities of BTA on the date of loss of control:

	<b>30 June 2015</b> <b>(mln KZT)</b> <b>(unaudited)</b>
<b>ASSETS:</b>	
Cash and balances with national (central) banks	981
Financial assets at fair value through profit or loss	2,658
Loans and advances to banks and other financial institutions	153,257
Loans to customers	774,816
Investments available-for-sale	14,990
Investments in associates	6,167
Goodwill	24
Investment property	188,914
Property, equipment and intangible assets	9,313
Other assets	395,998
Assets classified as held for sale	11,769
<b>Total assets</b>	<b>1,558,887</b>
<b>LIABILITIES:</b>	
Loans and advances from banks and other financial institutions	1,344,203
Customer accounts	32,764
Other borrowed funds	141,037
Provisions	1
Deferred income tax liabilities	49
Other liabilities	25,709
Liabilities directly associated with assets classified as held for sale	6,173
<b>Total liabilities</b>	<b>1,549,936</b>
<b>Net assets disposed</b>	<b>8,951</b>

## Profit on disposal of a subsidiary

	<b>On the date of loss of control</b>
Investments in BTA stated at carrying value	-
Net assets disposed	(8,951)
Non-controlling interest in subsidiaries of JSC BTA Bank	<u>1,941</u>
<b>Profit on disposal</b>	<b><u>(7,010)</u></b>

Profit on disposal is reflected as income from disposal of subsidiary in the consolidated statement of changes in equity.

Investments in BTA were reclassified from investments to investments available-for-sale, due to loss of control and significant influence.

The final results of the discontinued operations (“BTA”), included in the consolidated statement of profit or loss, are given below.

	<b>Three months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2015 (unaudited) (KZT million)</b>
Interest income	6,344	32,103
Interest expense	<u>(16,642)</u>	<u>(33,663)</u>
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	<b>(10,298)</b>	<b>(1,560)</b>
Provision for impairment losses on interest bearing assets	<u>(44,513)</u>	<u>(55,360)</u>
<b>NET INTEREST EXPENSE</b>	<b><u>(54,811)</u></b>	<b><u>(56,920)</u></b>
Net loss on financial assets and liabilities at fair value through profit or loss	(1,905)	(1,089)
Net gain/(loss) on foreign exchange and precious metals operations	1,250	(7,266)
Fee and commission income	1,701	4,368
Fee and commission expense	(1,564)	(3,401)
Net realized gain on investments available-for-sale	338	344
Dividend income	210	215
Share of (losses)/profits of associates	(1,284)	733
Other income	<u>7,656</u>	<u>7,768</u>
<b>NET NON-INTEREST INCOME</b>	<b><u>6,402</u></b>	<b><u>1,672</u></b>
<b>OPERATING EXPENSES</b>	<b><u>(13,577)</u></b>	<b><u>(22,811)</u></b>
<b>LOSS BEFORE OTHER OPERATING PROVISIONS</b>	<b>(61,986)</b>	<b>(78,059)</b>
Provision for impairment losses on other transactions	(1,163)	(1,275)
Recovery of provision for guarantees and other contingencies	54	151
<b>LOSS BEFORE INCOME TAX</b>	<b>(63,095)</b>	<b>(79,183)</b>
Income tax expense	<u>(3,807)</u>	<u>(20)</u>
<b>NET LOSS</b>	<b><u>(66,902)</u></b>	<b><u>(79,203)</u></b>
Attributable to:		
Shareholders of the Parent	(63,747)	(75,701)
Non-controlling interest	(3,155)	(3,502)



## **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 the 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 six months ended 30 June 2015.

#### 4. NET INTEREST INCOME

	Three months ended 30 June 2015 (unaudited) (KZT million)	Three months ended 30 June 2014 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2014 (unaudited) (KZT million)
<b>Interest income comprise:</b>				
Interest income on financial assets recorded at amortized cost:				
- interest income on collectively assessed impaired financial assets*	1,774	-	7,588	-
- interest income on financial assets that have been assessed individually for impairment*	12,648	-	34,989	-
- interest income on financial assets that are not impaired including collectively not impaired loans*	22,732	-	44,871	-
- interest income on homogenous and individually assessed watch assets	-	53,900	-	96,807
- interest income on impaired financial assets	-	1,792	-	7,203
- interest income on unimpaired financial assets	-	6,165	-	12,409
Interest income on financial assets at fair value through profit or loss	1,039	1,249	2,445	2,476
Interest income on investments available-for-sale	(95)	349	3,608	349
Discount on customer accounts	58,247	-	58,247	-
<b>Total interest income</b>	<b>96,345</b>	<b>63,455</b>	<b>151,748</b>	<b>119,244</b>
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	36,279	61,428	85,271	115,426
Interest on loans and advances to banks and other financial institutions	695	344	1,545	817
Interest on investments held to maturity	148	85	600	176
Interest income on bonds of JSC National Welfare Fund Samruk-Kazyna	32	-	32	-
Total interest income on financial assets recorded at amortized cost	37,154	61,857	87,448	116,419
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	1,039	1,249	2,445	2,476
Total interest income on financial assets at fair value through profit or loss	1,039	1,249	2,445	2,476
Interest income on investments available-for-sale	(95)	349	3,608	349
Discount on customer accounts	58,247	-	58,247	-
<b>Total interest income</b>	<b>96,345</b>	<b>63,455</b>	<b>151,748</b>	<b>119,244</b>
<b>Interest expense comprise:</b>				
Interest expense on financial liabilities recorded at amortized cost	31,521	29,259	63,623	57,725
<b>Total interest expense</b>	<b>31,521</b>	<b>29,259</b>	<b>63,623</b>	<b>57,725</b>
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	15,556	20,408	32,449	39,300
Interest on debt securities issued	10,841	5,076	20,171	10,473
Interest on subordinated debt	2,306	1,811	4,411	3,963
Interest on loans and advances from banks and other financial institutions	2,161	1,468	5,378	3,000
Preference share dividends	221	221	463	447
Other interest expense	436	275	751	542
Total interest expense on financial liabilities recorded at amortized cost	31,521	29,259	63,623	57,725
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>64,824</b>	<b>34,196</b>	<b>88,125</b>	<b>61,519</b>

\*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:

	<b>Loans and advances to banks and other financial institutions (KZT million)</b>	<b>Loans to customers (KZT million) (Note 12)</b>	<b>Investments available-for- sale (KZT million)</b>	<b>Total</b>
31 March 2014 (unaudited)	196	1,100,814	186	1,101,196
(Recovery of provision)/additional provision	(21)	17,607	-	17,586
Write-off of assets	-	(81,557)	(42)	(81,599)
Foreign exchange differences	-	6,767	-	6,767
	<u>175</u>	<u>1,043,631</u>	<u>144</u>	<u>1,043,950</u>
30 June 2014 (unaudited)				
31 March 2015 (unaudited)	-	439,406	144	439,550
Additional provision /(recovery of provision)	-	79,251	(184)	79,067
Write-off of assets	-	(34,192)	(10)	(34,202)
Recovery of previously written-off assets	-	1,573	-	1,573
Foreign exchange differences	-	2,264	-	2,264
Recovery of impaired loans	-	35,534	-	35,534
Recovery of provision on impaired loans	-	(33,028)	-	(33,028)
Recalssification to investments available-for sale	-	333	184	517
Integration with JSC BTA Bank	-	(283,397)	2,772	(280,625)
	<u>-</u>	<u>(283,397)</u>	<u>2,772</u>	<u>(280,625)</u>
30 June 2015 (unaudited)	<u>-</u>	<u>207,744</u>	<u>2,906</u>	<u>210,650</u>

	<b>Loans and advances to banks and other financial institutions (KZT million)</b>	<b>Loans to customers (KZT million) (Note 12)</b>	<b>Investments available-for-sale (KZT million)</b>	<b>Total</b>
31 December 2013	171	978,753	186	979,110
(Recovery of provision)/additional provision	(21)	27,381	-	27,360
Write-off of assets	-	(83,533)	(42)	(83,575)
Foreign exchange differences	25	121,030	-	121,055
<b>30 June 2014 (unaudited)</b>	<b>175</b>	<b>1,043,631</b>	<b>144</b>	<b>1,043,950</b>
31 December 2014	-	508,276	144	508,420
Additional provision/ (recovery of provision)	-	75,910	(184)	75,726
Write-off of assets	-	(105,162)	(10)	(105,172)
Recovery of previously written-off assets	-	2,557	-	2,557
Foreign exchange differences	-	6,980	-	6,980
Recovery of impaired loans	-	35,534	-	35,534
Recovery of provision on impaired loans	-	(33,028)	-	(33,028)
Recalssification to investments available-for sale	-	333	184	517
Integration with JSC BTA Bank	-	(283,397)	2,772	(280,625)
Disposal of subsidiary	-	(259)	-	(259)
<b>30 June 2015 (unaudited)</b>	<b>-</b>	<b>207,744</b>	<b>2,906</b>	<b>210,650</b>

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

	<b>Three months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2014 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2014 (unaudited) (KZT million)</b>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:				
Realized gain/(loss) on trading operations	577	24	(264)	40
Unrealized (loss)/gain on fair value adjustment	(2,395)	634	(6,094)	(238)
Net gain/(loss) on operations with derivative financial instruments	2,044	(216)	(11,739)	(3,480)
<b>Net gain/(loss) on financial assets and liabilities at fair value through profit or loss</b>	<b>226</b>	<b>442</b>	<b>(18,097)</b>	<b>(3,678)</b>



## 7. OPERATING EXPENSES

	<b>Three months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2014 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2014 (unaudited) (KZT million)</b>
Staff costs	5,622	4,474	11,859	8,726
Property and equipment maintenance	1,899	506	2,425	1,033
Expenses on assets received	908	141	1,282	234
Depreciation and amortization	694	723	1,441	1,471
Operating lease	575	605	1,154	1,116
Taxes, other than income tax	486	791	1,028	1,383
Advertising costs	307	220	535	348
Bank card services	270	220	528	448
Security	242	227	456	420
Communications costs	208	161	379	322
Business travel expenses	147	103	260	169
Legal and consulting services	110	79	651	222
Other expenses	1,415	880	2,344	1,397
	<u>12,883</u>	<u>9,130</u>	<u>24,342</u>	<u>17,289</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 and the six months ended 30 June 2015 and 30 June 2014 are explained as follows:

	<b>Three months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2014 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2014 (unaudited) (KZT million)</b>
Profit before income tax	<u>6,803</u>	<u>12,617</u>	<u>27,684</u>	<u>17,783</u>
Tax at the statutory tax rate (20%)	1,361	2,524	5,537	3,557
Tax effect of permanent differences:				
- tax exempt income	(42,200)	(673)	(43,963)	(1,477)
- non-deductible expense	<u>39,360</u>	<u>887</u>	<u>41,684</u>	<u>1,830</u>
Income tax (benefit)/expense	<u>(1,479)</u>	<u>2,738</u>	<u>3,258</u>	<u>3,910</u>
Current income tax expense	232	2,988	7,915	3,330
Deferred income tax (benefit)/expense	<u>(1,711)</u>	<u>(250)</u>	<u>(4,657)</u>	<u>580</u>
Income tax (benefit)/expense	<u>(1,479)</u>	<u>2,738</u>	<u>3,258</u>	<u>3,910</u>

The corporate income tax rate in the Republic of Kazakhstan was 20% during the six months ended 30 June 2015 and 2014.

	<b>Six months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Year ended 31 December 2014 (KZT million)</b>
<b>Deferred income tax assets</b>		
As at beginning of the period	(6,022)	(1,730)
Deferred income tax benefit recognized in statement of profit or loss	(4,695)	(4,258)
Change in hedging reserve	(36)	(49)
Change in investments available-for-sale reserve	50	(154)
Change in deferred tax liability from revaluation of property and equipment	(22)	(349)
Acquisition of JSC BTA Bank	-	214
Sale and merger of subsidiary organizations	4	-
Discontinued operations	49	-
Other	(50)	304
	<u>(10,722)</u>	<u>(6,022)</u>
As at end of the period	<u>(10,722)</u>	<u>(6,022)</u>

## 9. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/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:

	<b>Three months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Three months ended 30 June 2014 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2015 (unaudited) (KZT million)</b>	<b>Six months ended 30 June 2014 (unaudited) (KZT million)</b>
<b>Basic and diluted (loss)/earnings per share</b>				
Net (loss)/profit attributable to equity holders of the Parent	(55,414)	9,878	(51,284)	13,758
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	<u>-</u>	<u>(1,152)</u>	<u>-</u>	<u>(1,484)</u>
Net (loss)/profit attributable to ordinary shareholders	(55,414)	8,726	(51,284)	12,274
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>797,133,517</u>	<u>777,877,191</u>	<u>754,101,823</u>	<u>777,866,015</u>
<b>(Loss)/earnings per share – basic and diluted (KZT)</b>	<u>(69.52)</u>	<u>11.22</u>	<u>(68.01)</u>	<u>15.78</u>

The book value per share for each type of shares as at 30 June 2015 and 31 December 2014 is as follows:

Type of shares	Outstanding shares	30 June 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	797,200,277	348,040	436.58	669,527,165	406,813	607.61
Preference shares	122,219,051	15,110	123.63	122,273,402	14,419	117.92
		<u>363,150</u>			<u>421,232</u>	

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

According to amendments 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

	30 June 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Cash on hand	73,046	84,002
Balances with the national (central) banks	<u>429,012</u>	<u>108,360</u>
	<u>502,058</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:

	30 June 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)	30 June 2014 (unaudited) (KZT million)
Cash and balances with national (central) banks	502,058	192,362	207,691
Loans and advances to banks with original maturities less than 3 months	131,077	100,926	207,606
REPO with banks with original maturity of less than 3 months	11,625	64,506	14,154
Less funds deposited with the National Bank of the Republic of Kazakhstan	(42,567)	(50,568)	(57,896)
Less funds deposited with the Central Bank of the Russian Federation	(1,858)	(1,373)	(2,297)
Less funds deposited with the National Bank of the Kyrgyz Republic	-	(174)	(148)
Less funds deposited with the National Bank of Tajikistan	(135)	(141)	(97)
Less funds deposited with the National Bank of Belarus	-	-	(114)
	<u>600,200</u>	<u>305,538</u>	<u>368,899</u>

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

	30 June 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Debt securities	79,531	112,357
Equity investments	37,194	45,901
Derivative financial instruments	11,902	17,669
Total financial assets at fair value through profit or loss	<u>128,627</u>	<u>175,927</u>
	30 June 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
Derivative financial instruments	27,864	20,791
Total financial liabilities at fair value through profit or loss	<u>27,864</u>	<u>20,791</u>

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

	30 June 2015 (unaudited)		31 December 2014	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
<b>Debt securities:</b>				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.30-8.75	62,745	3.30-8.75	77,937
Bonds of Kazakhstani companies	5.00-13.00	3,888	5.00-13.00	5,467
Eurobonds of Kazakhstani companies	4.63-6.95	2,221	4.63-6.95	3,449
Eurobonds of Kazakhstani banks	6.37-9.88	2,018	7.25-9.88	1,986
Bonds of Russian companies	8.15-10.75	1,846	8.15-10.75	3,306
Treasury bonds of the USA	9.88	1,822	8.13	228
Bonds of Development Bank of Kazakhstan	6.00-6.50	1,264	6.00-6.50	1,209
Municipal bonds of the RF	14.50	1,249	12.85	1,124
Bonds of Kazakhstani banks	7.00-11.00	1,229	5.50-13.00	4,532
Bonds of international financial organizations, foreign banks and foreign financial organizations	4.77-6.08	458	4.64-5.00	410
Municipal bonds of the Republic of Kazakhstan	6.20	344	6.20	608
Bonds of Russian banks	7.90	266	7.90-9.00	297
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	4.88	181	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>79,531</u>		<u>112,357</u>

	30 June 2015 (unaudited)		31 December 2014	
	Ownership share	Amount	Ownership share	Amount
	%*	(KZT million)	%*	(KZT million)
<b>Equity investments:</b>				
GDRs of Kazakhstani companies	0.00-2.19	17,176	0.00-2.17	22,552
Shares of foreign banks	10.91	14,345	10.82	16,983
Shares of Kazakhstani companies	0.00-3.49	5,213	0.00-3.56	5,308
Shares of Kazakhstani banks	0.00	433	0.00	327
Shares of foreign companies	0.00	27	0.00	731
		<u>37,194</u>		<u>45,901</u>

As at 30 June 2015, the fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT nill (31 December 2014: KZT 73,763 million).

As at 30 June 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 30 June 2015 was KZT 14,345 million (31 December 2014: KZT 16,983 million).

	Notional amount	30 June 2015 (unaudited) Fair value (KZT million)		Notional amount	31 December 2014 Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
		<b>Derivative financial instruments:</b>				
<i>Foreign exchange contracts:</i>						
Swaps	411,558	11,844	(23,791)	498,429	15,496	(12,195)
Spot	12,937	24	(9)	3,709	2	(5)
Option	155	34	-	1,300	232	-
Forwards	-	-	-	17,323	1,160	-
<i>Interest rate contracts:</i>						
Swaps	3,357	-	(326)	4,275	-	(453)
<i>Other:</i>						
Forwards on securities	8,145	-	(3,738)	9,227	-	(7,359)
Spot on sale of securities	-	-	-	-	779	(779)
		<u>11,902</u>	<u>(27,864)</u>		<u>17,669</u>	<u>(20,791)</u>

As at 30 June 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

	<b>30 June 2015 (unaudited) (KZT million)</b>	<b>31 December 2014 (KZT million)</b>
<b>Recorded as loans and receivables:</b>		
Originated loans	2,746,445	2,624,593
Net investments in finance lease	<u>7,334</u>	<u>5,831</u>
	2,753,779	2,630,424
Less allowance for impairment losses	<u>(207,744)</u>	<u>(508,276)</u>
	<u><u>2,546,035</u></u>	<u><u>2,122,148</u></u>

As at 30 June 2015, the amount of loans before allowance for impairment losses includes loans acquired from BTA under the simultaneous transfer of assets and liabilities in the amount of KZT 480,038 million. Those loans are presented in the table above net-off provisions as of the date of transfer of assets and liabilities. The amount of provisions that were netted-off amounted to KZT 275,870 million. Had the provisions not been netted off, the amount of loans before allowance for impairment losses as at 30 June 2015 will equal to KZT 3,022,315 million.

Movements in allowances for impairment losses on loans to customers for the three and six months ended 30 June 2015 and 2014 are disclosed in Note 5.

As at 30 June 2015, the Bank has accepted bonds and eurobonds (previously issued by subsidiary Kazkommerts Finance II BV) as collateral for certain loans to customers, with the fair value of KZT 1 million (31 December 2014: KZT 1 million).

On 22 June 2015, the Board of Directors of the Bank has made a decision to open a credit line to JSC BTA Bank to repay the debt of BTA to the Bank under (i) the Agreement on simultaneous transfer of assets and liabilities between the Bank and BTA; (ii) the Agreement on transfer of liabilities between JSC National Welfare Fund Samruk-Kazyna, JSC Kazkommertsbank and JSC BTA Bank via credit documentation (in tenge and in US dollars); (iii) the Agreement on transfer of debt as of 14 November 2014 between the Bank and BTA.

The Bank and BTA have signed an Agreement on opening of a credit line, under which the Bank has opened a credit line to BTA with a limit of KZT 630,000 million and USD 5,600 million with maturity on 30 June 2024 and an interest rate of 9% for loans denominated in tenge and 8% for loan denominated in US dollars. BTA shall make quarterly repayments of principal and interest in fixed amounts, stated in the Agreement, with the remaining debt to be repaid at maturity.



As at 30 June 2015, the carrying value of BTA loans issued within the given credit line is KZT 1,309,077 million. This amount is included in “Investments and finance” in the analysis of loans by sectors.

	<b>30 June 2015</b> <b>(unaudited)</b> <b>(KZT million)</b>	<b>31 December</b> <b>2014</b> <b>(KZT million)</b>
<b>Analysis by sector:</b>		
Investments and finance	1,369,152	54,266
Individuals	339,230	411,086
Housing construction	188,175	503,710
Real estate	152,312	177,548
Wholesale and retail trade	85,336	161,015
Hospitality business	73,143	154,458
Commercial real estate construction	60,971	54,838
Energy	59,108	76,011
Industrial and other construction	37,051	87,224
Transport and communication	24,290	53,771
Production of other non-metal materials	21,675	130,660
Food industry	15,566	18,690
Agriculture	13,714	27,959
Mining and metallurgy	13,323	29,855
Machinery construction	12,192	9,589
Production of construction materials	9,246	6,928
Medicine	1,402	6,207
Other	70,149	158,333
	<u>2,546,035</u>	<u>2,122,148</u>

During the six months ended 30 June 2015 and year ended 31 December 2014, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 June 2015, such assets in the amount of KZT 29,341 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 30 June 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 30 June 2015, such assets in the amount of KZT 8,977 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 30 June 2015, the Group granted loans to borrowers, which individually exceeded 10% of the Group’s equity, in the total amount of KZT 1,526,211million (31 December 2014: KZT 609,161 million).

As at 30 June 2015, a significant part of loans 94.08% (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

	<b>30 June</b> <b>2015</b> <b>(unaudited)</b> <b>(KZT million)</b>	<b>31 December</b> <b>2014</b> <b>(KZT million)</b>
<b>Recorded at amortized cost:</b>		
Time deposits	1,766,916	1,689,999
Demand deposits	655,472	571,306
Accounts in precious metals	2,351	2,835
	<u>2,424,739</u>	<u>2,264,140</u>

On 11 June 2015, the Bank has signed an agreement with JSC Distressed Assets Fund (“DAF”) on opening of a deposit in the Bank for raising funds within the governmental program on refinancing of mortgage loans, in the amount of KZT 38,100 million bearing annual nominal interest rate of 2.99%, with maturity of 20 years. The principal is to be repaid at maturity and the interest is to be repaid on an annual basis.

On 23 June 2015, the Bank has signed an agreement with JSC Distressed Assets Fund (“DAF”) on opening of a deposit in the Bank in the amount of KZT 250,000 million bearing annual nominal interest rate of 5.5%, with maturity of 10 years, the principal is to be repaid at maturity and interest is to be repaid on an annual basis. As the Bank has met conditions of the underlying agreement, the funds are available for use with no restrictions. In accordance with the deposit agreement, part or the entire amount of the deposit may be withdrawn only when agreed by both parties. Since the interest rate on this deposit is lower than the rates for financial instruments with similar terms and conditions offered by second-tier banks in Kazakhstan, the Bank recognized discount in the amount of KZT 58,247 million at the date of placement, recognized in Interest Income as “Discount on customer accounts”. As at 30 June 2015, the carrying value of the deposit is KZT 191,996 million.

As at 30 June 2015, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 14,008 million (31 December 2014: KZT 15,754 million).

	<b>30 June 2015 (unaudited) (KZT million)</b>	<b>31 December 2014 (KZT million)</b>
<b>Analysis by sector:</b>		
Individuals	955,941	1,005,280
Government related entities	399,052	207,465
Public organizations and unions	218,687	216,943
Investments and finance	202,355	108,519
Chemical and petrochemical industry	175,273	293,540
Wholesale and retail trade	59,021	63,944
Individual services	57,536	56,950
Education	57,485	55,512
Transport and communication	55,694	50,543
Construction	55,404	56,343
Mining and metallurgy	23,084	21,179
Distribution of electricity, gas and water	14,196	21,010
Agriculture	10,655	9,917
Other	140,356	96,995
	<u>2,424,739</u>	<u>2,264,140</u>

## 14. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 June 2015 (unaudited) (KZT million)	31 December 2014 (KZT million)
<b>Recorded at amortized cost:</b>					
Eurobonds:					
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	50,698	49,584
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	53,470	52,366
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	77,295	82,553
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	55,336	53,561
				<u>236,799</u>	<u>238,064</u>
(Less)/including:					
Discount on Eurobonds issued				(915)	(1,172)
Accrued interest on Eurobonds issued				3,621	6,576
Total issued Eurobonds				<u>239,505</u>	<u>243,468</u>
Debt securities issued of JSC Kazkommertsbank at the price 99.88%-99.95%					
	KZT	January 2022	8.75	97,262	60,514
Debt securities issued of JSC Kazkommertsbank at the price 99.97%					
	KZT	November 2019	8.40	63,001	-
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%					
	KZT	April 2016	9.00	2,393	2,403
Issued promissory notes of OJSC Moskommertsbank					
	USD, EUR, RUR	January 2018	2.50-12.00	934	1,185
Issued bonds of Moscow Stars B.V. at the price of 99.00%					
	USD	January 2021	1.94-5.44	2,953	3,310
Debt securities previously issued by JSC BTA Bank					
	USD	December 2022	5.50	105,812	102,162
Debt securities issued of JSC BTA Ipoteka (previously JSC BTA Bank)					
	KZT	February 2016	7.60	-	3,878
				<u>511,860</u>	<u>416,920</u>

During the six months ended 30 June 2015, the Bank repurchased debt securities issued in the amount of KZT 2,266 million (during 2014: KZT 737 million) with the maturity period in 2022.

During the six months ended 30 June 2015, the Bank sold repurchased debt securities issued in the total amount of KZT 1,165 million (during 2014: KZT 120 million) with the maturity period in 2022.

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 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).

On 21 April 2015, the Bank has additionally placed bonds through specialised trades on KASE. The bonds with the yield to maturity of 8.75% per annum were placed in the total nominal amount of KZT 39,651 million at the price of 99.90% of the nominal value (excluding commissions paid at placement).

On 11 June 2015, the Bank has additionally placed bonds through specialised trades on KASE. The bonds with the yield to maturity of 8.75% per annum were placed in the total nominal amount of KZT 5,000 million at the price of 99.88% of the nominal value (excluding commissions paid at placement).

As at 30 June 2015, debt securities issued of JSC BTA Ipoteka in the amount of KZT 3,225 million, with maturity in 2016 and bearing an interest rate of 7.6% per annum are included in “Liabilities directly associated with assets classified as held for sale” in the consolidated statement of financial position, due to the classification of JSC BTA Ipoteka as an “Asset classified as held for sale” in the consolidated statement of financial position.

## **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 30 June 2015, provision for losses on guarantees and other contingencies amounted to KZT 164 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 30 June 2015, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 90,050 million (31 December 2014: KZT 47,682 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 30 June 2015 and 31 December 2014, the nominal or contract amounts and risk-weighted amounts were:

	<b>30 June 2015 (unaudited) (KZT million)</b>	<b>31 December 2014 (KZT million)</b>
<b>Contingent liabilities and credit commitments:</b>		
Guarantees issued and similar commitments	86,862	70,029
Commitments on loans and unused credit lines	12,412	12,491
Letters of credit and other transaction related to contingent obligations	3,332	4,250
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	20	21
	<u>102,626</u>	<u>86,791</u>
Less collateral in cash	(14,008)	(15,754)
Less provision for guarantees and other contingencies	<u>(164)</u>	<u>(686)</u>
Total contingent liabilities and credit commitments, net	<u>88,454</u>	<u>70,351</u>
Total risk-weighted amount	<u>87,527</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 30 June 2015, the amount of contingent liabilities on such unused credit lines equals to KZT 515,425 million (31 December 2014: 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*

On 7 February 2012 at the request of Türkiye Vakıflar Bankası TAO the Commercial Court of Istanbul has imposed a provisional arrest 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 in 2013- 2015.

The last court session was held on 9 July 2015, in relation to a new expert commission report. The next meeting is scheduled for 10 September 2015 and according to the plan, all experts must submit their reports before that date.

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:

	30 June 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
<b>Loans and advances to banks and other financial institutions</b>	3,916	189,204	3,531	208,550
- <i>associates</i>	-		3,531	
- <i>other related parties</i>	3,916		-	
<b>Loans to customers</b>	1,342,500	2,753,779	9	2,630,424
- <i>key management personnel of the entity or its parent</i>	7		9	
- <i>other related parties</i>	1,342,493		-	
<b>Allowance for impairment losses on loans to customers</b>	(611)	(207,744)	(2)	(508,276)
- <i>key management personnel of the entity or its parent</i>	(1)		(2)	
- <i>other related parties</i>	(610)			
<b>Investments available for sale</b>	349	36,558	-	94,606
- <i>other related parties</i>	349		-	
<b>Other Assets</b>	10	89,338	-	214,658
- <i>other related parties</i>	10		-	
<b>Loans and advances from banks and other financial institutions</b>	770	42,963	20	682,856
- <i>associates</i>	-		20	
- <i>other related parties</i>	770		-	
<b>Customer accounts</b>	127,069	2,424,739	6,079	2,264,140
- <i>parent company</i>	17		1,896	
- <i>key management personnel of the entity or its parent</i>	6,533		4,072	
- <i>other related parties</i>	120,519		111	
<b>Other liabilities</b>	18	22,986	-	48,049
- <i>other related parties</i>	18		-	
<b>Guarantees</b>	6,811	86,862	-	70,029
- <i>other related parties</i>	6,811			
<b>Commitments on loans and unused credit lines</b>	96	12,412	215	12,491
- <i>key management personnel of the entity or its parent</i>	96		215	

As at 30 June 2015, the amount of contingent liabilities on unused credit lines of related parties equals to KZT 313,103 million (31 December 2014: KZT 10 million).

Included in the interim consolidated statement of profit or loss for the three months ended 30 June 2015 and 2014 are the following amounts which arose due to transactions with related parties:

	For six months ended 30 June 2015 (unaudited) (KZT million)		For six months ended 30 June 2014 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Interest income</b>	1,591	151,748	110	119,244
- <i>entities with joint control or significant influence over the entity</i>	12		-	
- <i>key management personnel of the entity or its parent</i>	1		110	
- <i>other related parties</i>	1,578		-	
<b>Interest expense</b>	(103)	(63,623)	(125)	(57,725)
- <i>parent company</i>	(3)		(35)	
- <i>entities with joint control or significant influence over the entity</i>	(19)		-	
- <i>key management personnel of the entity or its parent</i>	(76)		(89)	
- <i>other related parties</i>	(5)		(1)	
<b>Operating expenses</b>	(166)	(24,342)	(653)	(17,289)
- <i>short-term employee benefits</i>	(166)	(11,859)	(653)	(8,726)
<b>Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies</b>	2	(45,143)	(9)	(26,380)
- <i>key management personnel of the entity or its parent</i>	2		(9)	

Key management personnel compensation for the three and the six months ended 30 June 2015 and 2014 is represented by short-term employee benefits.

As at 30 June 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 six months ended 30 June 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	23,623	106,675	20,945	505	-	-	151,748
Internal interest income	19,458	25,124	105,074	-	-	(149,656)	-
External interest expenses	(14,401)	(22,692)	(26,530)	-	-	-	(63,623)
Internal interest expenses	(11,324)	(67,149)	(71,183)	-	-	149,656	-
Net interest income before provision for impairment losses on interest bearing assets	17,356	41,958	28,306	505	-	-	88,125
Additional/(recovery of) provision for impairment losses on interes bearing assets	1,942	(44,835)	-	195	-	-	(42,698)
<b>NET INTEREST INCOME</b>	<b>19,298</b>	<b>(2,877)</b>	<b>28,306</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>45,427</b>
Net gain/(loss) on financial assets and liabilities at fair value though profit or loss	-	444	(18,329)	(212)	-	-	(18,097)
Net (loss)/gain on foreign exchange and precious metals operations	(158)	(25)	12,185	44	-	-	12,046
Fee and commission income	11,026	4,649	1,315	1,856	-	-	18,846
Fee and commission expense	(4,891)	(396)	(504)	(78)	-	-	(5,869)
Net realized loss on investments available-for-sale	-	-	83	(247)	-	-	(164)
Dividend income	-	(888)	1,934	-	-	-	1,054
Other income	173	1,755	1,735	1,572	-	-	5,235
Impairment of assets classified as held for sale	(7)	(4,000)	-	-	-	-	(4,007)
<b>NET NON-INTEREST EXPENSES</b>	<b>6,143</b>	<b>1,539</b>	<b>(1,581)</b>	<b>2,943</b>	<b>-</b>	<b>-</b>	<b>9,044</b>
<b>OPERATING EXPENSES</b>	<b>(10,921)</b>	<b>(11,718)</b>	<b>(520)</b>	<b>(1,183)</b>	<b>-</b>	<b>-</b>	<b>(24,342)</b>
<b>PROFIT BEFORE OTHER OPERATING PROVISIONS</b>	<b>14,520</b>	<b>(13,056)</b>	<b>26,205</b>	<b>2,452</b>	<b>-</b>	<b>-</b>	<b>30,129</b>
Provision for impairment losses on other transactions	-	(1,179)	(6)	(1,643)	-	-	(2,828)
Recovery of provision for guarantees and other contingencies	-	382	-	1	-	-	383
<b>PROFIT BEFORE INCOME TAX</b>	<b>14,520</b>	<b>(13,853)</b>	<b>26,199</b>	<b>810</b>	<b>-</b>	<b>-</b>	<b>27,684</b>
Profit from discontinued operations	(23,380)	(38,382)	(16,991)	-	-	-	(79,203)
Segment assets	293,868	2,402,078	877,871	205,541	3,002	(140,312)	3,642,048
Segment liabilities	959,963	1,592,594	814,496	66,216	2,184	(150,254)	3,285,199

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Investment banking</b>	<b>Other</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>As at and for the six months ended 30 June 2014 (unaudited) (KZT million)</b>
	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(unaudited) (KZT million)</b>	<b>(KZT million)</b>
External interest income	23,571	91,854	3,144	675	-	-	119,244
Internal interest income	23,822	21,397	103,918	-	-	(149,137)	-
External interest expenses	(21,588)	(16,848)	(19,289)	-	-	-	(57,725)
Internal interest expenses	(12,888)	(66,612)	(69,637)	-	-	149,137	-
Net interest income before provision for impairment losses on interest bearing assets	12,917	29,791	18,136	675	-	-	61,519
Recovery of provision/(provision) for impairment losses on interest bearing assets	784	(28,150)	6	-	-	-	(27,360)
<b>NET INTEREST INCOME</b>	<b>13,701</b>	<b>1,641</b>	<b>18,142</b>	<b>675</b>	<b>-</b>	<b>-</b>	<b>34,159</b>
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	-	-	(3,857)	179	-	-	(3,678)
Net gain/(loss) on foreign exchange and precious metals operations	555	(835)	(8,909)	1,400	-	-	(7,789)
Fee and commission income	9,146	4,980	599	-	-	-	14,725
Fee and commission expense	(4,631)	(597)	(226)	(64)	-	-	(5,518)
Net realized loss on investments available-for-sale	-	-	(12)	(48)	-	-	(60)
Dividend income	-	-	1,218	55	-	-	1,273
Other income/(expenses)	-	1,066	85	(171)	-	-	980
<b>NET NON-INTEREST INCOME/(EXPENSE)</b>	<b>5,070</b>	<b>4,614</b>	<b>(11,102)</b>	<b>1,351</b>	<b>-</b>	<b>-</b>	<b>(67)</b>
<b>OPERATING EXPENSES</b>	<b>(9,833)</b>	<b>(5,424)</b>	<b>(744)</b>	<b>(1,288)</b>	<b>-</b>	<b>-</b>	<b>(17,289)</b>
<b>PROFIT BEFORE OTHER OPERATING PROVISIONS</b>	<b>8,938</b>	<b>831</b>	<b>6,296</b>	<b>738</b>	<b>-</b>	<b>-</b>	<b>16,803</b>
(Provision)/recovery of provision for impairment losses on other transactions	-	(360)	10	(1,169)	-	-	(1,519)
Recovery of provision for guarantees and other contingencies	-	2,499	-	-	-	-	2,499
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>8,938</b>	<b>2,970</b>	<b>6,306</b>	<b>(431)</b>	<b>-</b>	<b>-</b>	<b>17,783</b>
Segment assets as at 31 December 2014	796,544	2,198,807	1,492,044	129,073	16,537	(385,928)	4,247,077
Segment liabilities as at 31 December 2014	1,043,437	1,897,175	1,684,900	19,693	2,602	(816,771)	3,831,036

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value hierarchy			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2015 (KZT million)	31 December 2014 (KZT million)				
1) Derivative financial assets (Note 11)	3,681	11,030	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Derivative financial assets (Note 11)	8,221	6,639	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
3) Non-derivative financial assets at fair value through profit or loss (Note 11)						
Debt securities	79,531	112,276	Level 1	Quoted bid prices in an active market.	N/A	N/A
Debt securities	-	81	Level 3	Discounted cash flows based on contractual terms of debt securities and yield of similar instruments of counterparties with credit risk adjustment using internal model.	Credit risk adjustment based on internal model.	The greater the credit risk adjustment the lower the fair value of instrument.
Equity investments	37,194	45,901	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Investments available-for-sale	36,530	94,606	Level 1	Quoted bid prices in an active market.	N/A	N/A
	28	-	Level 3	The carrying value of shares on the basis of forecasted capital of the Joint Bank (Materials from the restructuring and integration of Banks plan)	The fair value adjustment is based on an individual approach due to the complex structure of the integration and the restructuring of banks	The increase in share capital increases the combined bank's share price
5) Derivative financial liabilities (Note 11)	27,864	20,791	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2015 and 31 December 2014, respectively:

		Level 1	Level 2	Level 3	30 June 2015
		(unaudited)	(unaudited)	(unaudited)	Total
		(KZT million)	(KZT million)	(KZT million)	(unaudited)
					(KZT million)
<b>Financial assets:</b>					
Trading assets	Debt securities	79,531	-	-	79,531
	Equity investments	37,194	-	-	37,194
Derivative financial instruments	Foreign exchange and interest rate contracts	-	3,681	8,221	11,902
Investments available-for-sale	Debt securities	34,978	-	-	34,978
	Equity investments	1,552	-	28	1,580
<b>Total</b>		<u>153,255</u>	<u>3,681</u>	<u>8,249</u>	<u>165,185</u>
<b>Financial liabilities:</b>					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	27,864	-	27,864
<b>Total</b>		<u>-</u>	<u>27,864</u>	<u>-</u>	<u>27,864</u>
		Level 1	Level 2	Level 3	31 December 2014
		(KZT million)	(KZT million)	(KZT million)	Total
					(KZT million)
<b>Financial assets:</b>					
Trading assets	Debt securities	112,276	-	81	112,357
	Equity investments	45,901	-	-	45,901
Derivative financial instruments	Foreign exchange and interest rate contracts	-	11,030	6,639	17,669
Investments available-for-sale	Debt securities	91,569	-	-	91,569
	Equity investments	3,037	-	-	3,037
<b>Total</b>		<u>252,783</u>	<u>11,030</u>	<u>6,720</u>	<u>270,533</u>
<b>Financial liabilities:</b>					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	20,791	-	20,791
<b>Total</b>		<u>-</u>	<u>20,791</u>	<u>-</u>	<u>20,791</u>

There were no transfers of financial instruments between Level 1 and 2 during the six months ended 30 June 2015 and year ended 31 December 2014.



Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for financial assets measured at fair value on recurring basis for the 30 June 2015 and 31 December 2014 was presented as follows:

	Financial assets at fair value through profit or loss		Investments available-for-sale	Total
	Trading assets Debt securities	Derivative financial instruments	Equity investments	
<b>31 December 2013</b>	87	-	-	87
Additions	-	9,852	-	9,852
Total gains or losses - to profit or loss	16	(3,213)	-	(3,197)
Redemption	(4)	-	-	(4)
Business combination	(18)	-	-	(18)
<b>31 December 2014</b>	<u>81</u>	<u>6,639</u>	<u>-</u>	<u>6,720</u>
Additions	-	-	81	81
Total gains or losses - to profit or loss	-	1,582	(53)	1,529
Maturity (change on equity investments)	(81)	-	-	(81)
<b>30 June 2015 (unaudited)</b>	<u>-</u>	<u>8,221</u>	<u>28</u>	<u>8,249</u>

As at 30 June 2015 and 31 December 2014, the Group used quoted market prices from independent information sources for 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 unobservable data, and certain debt securities, which are valued using valuation models not based on observable market data.

**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

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

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

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

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

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

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

	30 June 2015 (unaudited)		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	(KZT million)		(KZT million)	
<b>Financial assets:</b>				
Loans to customers	2,546,035	2,589,590	2,122,148	2,227,656
Bonds of JSC National Welfare Fund Samruk-Kazyna	-	-	659,116	665,099
Investments held to maturity	24,687	24,690	18,440	18,482
<b>Financial liabilities:</b>				
Customer accounts	2,424,739	2,430,767	2,264,140	2,283,364
Debt securities issued	511,860	516,931	416,920	390,566
Other borrowed funds	82,325	54,476	216,693	218,110
Subordinated debt	118,196	112,382	122,856	107,623

	30 June 2015 (unaudited)			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
<b>Financial assets:</b>				
Loans to customers	-	-	2,589,590	2,589,590
Investments held to maturity	24,690	-	-	24,690
<b>Financial liabilities:</b>				
Customer accounts	-	2,430,767	-	2,430,767
Debt securities issued	516,931	-	-	516,931
Other borrowed funds	-	54,476	-	54,476
Subordinated debt	112,382	-	-	112,382

	31 December 2014			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
<b>Financial assets:</b>				
Loans to customers	-	-	2,227,656	2,227,656
Bonds of JSC National Welfare Fund Samruk-Kazyna	-	665,099	-	665,099
Investments held to maturity	18,482	-	-	18,482
<b>Financial liabilities:</b>				
Customer accounts	-	2,283,364	-	2,283,364
Debt securities issued	390,566	-	-	390,566
Other borrowed funds	-	218,110	-	218,110
Subordinated debt	107,623	-	-	107,623

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

## 19. SUBSEQUENT EVENTS

On 21 July 2015, the Bank has sold its stake in the subsidiary JSC Insurance company London-Almaty, which was received from JSC BTA Bank within the Agreement of simultaneous transfer of assets and liabilities.

On 3 July 2015 and 4 August 2015, Mr. Subhanberdin N.S. has sold his part of common shares of the Bank in the quantity of 11,479,823 (1.14% of total quantity of common shares) and 22,526,438 (2.82% of total quantity of common shares) to another major shareholder of the Bank – Mr. Rakishev K.H. This was in line with the integration model approved by the shareholders of the two banks on 26 December 2014. As a result of noted transactions, the shareholders of the Bank’s common shares are:

	Shareholder structure as at 30 June 2015		Shareholder structure as at 05 August 2015	
	Number of shares	% direct ownership*	Number of shares	% direct ownership*
JSC Alnair Capital Holding	223,922,790	28.08	223,922,790	28.08
JSC Central Asian Investment Company	185,561,734	23.27	185,561,734	23.27
N.S. Subkhanberdin	81,807,223	10.26	47,800,962	5.99
K.K. Rakishev	194,636,482	24.41	228,642,743	28.67
JSC National Welfare Fund Samruk-Kazyna	85,517,241	10.72	85,517,241	10.72
Other shareholders	26,061,757	3.27	26,061,757	3.27
<b>Total</b>	<b>797,507,227</b>	<b>100.00</b>	<b>797,507,227</b>	<b>100.00</b>

\* The ownership shares were calculated as the shares of direct ownership of each shareholder in the total number of the common shares outstanding minus the number of common shares bought back by the Bank.

On 28 July 2015, the Board of Directors of JSC “Kazkommertsbank” (13/08/2015 Board of Directors of “BTA Bank”) made a decision on return (transfer) of ordinary shares issued by JSC “SK Leasing” to JSC “BTA Bank” in accordance with addendum № 1 to the agreement on simultaneous transfer of assets and liabilities.

On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. The average rate of tenge to the US dollar in the morning trading session at the Kazakhstan Currency Exchange (KASE) on 20 August was formed at the level of 255.26 tenge to the US dollar compared 188.38 tenge on 19 August. At the present time it is impossible to determine the impact of this fact on the Kazakhstan economy and the banking system. Management believes it is taking all necessary measures to support the sustainability of the Group in these conditions.