

JOINT STOCK COMPANY KAZKOMMERTSBANK

**Interim Condensed Consolidated
Financial Information (Unaudited)**
For the three months ended 31 March 2016

JOINT STOCK COMPANY KAZKOMMERTSBANK

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)	1
INDEPENDENT AUDITOR’S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED):	
Interim consolidated statement of profit or loss (unaudited)	3
Interim consolidated statement of other comprehensive income (unaudited)	4
Interim consolidated statement of financial position (unaudited)	5
Interim consolidated statement of changes in equity (unaudited)	6-7
Interim consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-38

JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of the Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 31 March 2016 and the results of its operations for the three month period then ended, as well as cash flows and changes in equity for the three month period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2016 was approved by the Management Board of JSC Kazkommertsbank on 28 June 2016.

On behalf of the Management Board of the Bank:

Yeltzov S.V.
Acting Chairman of the Board

28 June 2016
Almaty



Salikhova N.M.
Chief Accountant

28 June 2016
Almaty



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

To the Shareholders and Board of Directors of JSC Kazkommertsbank:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Kazkommertsbank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2016 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

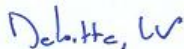
We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons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

Conclusion

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

Emphasis of Matter

As discussed in Notes 3 and 12 to the interim condensed consolidated financial information, during 2015, JSC Kazkommertsbank entered into certain transactions with JSC BTA Bank, an entity under common control, which resulted in a significant loan to JSC BTA Bank. The assessment of the carrying value and ultimately the recoverability of this loan involves a number of assumptions on the ability of JSC BTA Bank to generate future cash flows from its underlying assets and the outcome of future events, including legal proceedings, which are currently uncertain.



28 June 2016
Almaty

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JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

	Notes	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
Interest income	4, 16	119,395	81,162
Interest expense	4, 16	(60,430)	(49,123)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		58,965	32,039
Provision for impairment losses on interest bearing assets	5, 16	(22,867)	(7,506)
NET INTEREST INCOME		36,098	24,533
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	22,488	(17,507)
Net (loss)/gain on foreign exchange and precious metals operations		(19,480)	7,571
Fee and commission income		10,741	10,423
Fee and commission expense		(4,738)	(4,642)
Net realized (loss)/gain on investments available-for-sale		(425)	827
Dividend income		20	13
Other income		5,266	2,193
NET NON-INTEREST INCOME/(EXPENSE)		13,872	(1,122)
OPERATING EXPENSES	7, 16	(15,468)	(20,693)
PROFIT BEFORE OTHER OPERATING PROVISIONS		34,502	2,718
Provision for impairment losses on other transactions	16	(659)	(380)
Recovery of provision for guarantees and other contingencies	16	777	78
Share of profits of associates		-	2,017
Profit on sale of a subsidiary		-	360
PROFIT BEFORE INCOME TAX		34,620	4,793
Income tax expense	8	(16,169)	(950)
NET PROFIT		18,451	3,843
Attributable to:			
Ordinary shareholders of the Parent		16,390	3,734
Preference shareholders of the Parent		2,060	396
Non-controlling interest		1	(287)
		18,451	3,843
EARNINGS PER SHARE			
<i>Basic and diluted (KZT)</i>	9	20.57	5.2

On behalf of the Management Board of the Bank:

Yeltzov S.V.
Acting Chairman of the Board

28 June 2016
Almaty



Salikhova N.M.
Chief Accountant

28 June 2016
Almaty

The notes on pages 10-38 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
NET PROFIT FOR THE PERIOD	<u>18,451</u>	<u>3,843</u>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Net gain resulting on revaluation of property	8,439	1,270
Income tax	<u>(1,679)</u>	<u>4</u>
	<u>6,760</u>	<u>1,274</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(398)	(2,027)
Net loss resulting on revaluation of available-for-sale investments	(1,030)	(875)
Reclassification adjustment relating to available-for-sale investments disposed of in the period	425	(827)
Net loss on cash flow hedges	(101)	(88)
Income tax effect	<u>278</u>	<u>62</u>
	<u>(826)</u>	<u>(3,755)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX	<u>5,934</u>	<u>(2,481)</u>
TOTAL COMPREHENSIVE INCOME	<u><u>24,385</u></u>	<u><u>1,362</u></u>
Attributable to:		
Ordinary shareholders of the Parent	21,527	3,810
Preference shareholders of the Parent	2,857	409
Non-controlling interest	<u>1</u>	<u>(2,857)</u>
TOTAL COMPREHENSIVE INCOME	<u><u>24,385</u></u>	<u><u>1,362</u></u>

On behalf of the Management Board of the Bank:

Yeltzov S.V.
Acting Chairman of the Board

28 June 2016
Almaty



Salikhova N.M.
Chief Accountant

28 June 2016
Almaty

The notes on pages 10-38 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016 (UNAUDITED)

	Notes	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	10	148,349	123,908
Precious metals		4,095	3,908
Financial assets at fair value through profit or loss	11,16	196,170	365,277
Loans and advances to banks and other financial institutions	16	356,069	296,677
Loans to customers	12, 16	3,964,391	3,829,736
Investments available-for-sale	16	32,240	34,544
Investments held to maturity		219,735	209,936
Investment property		9,452	8,709
Property, equipment and intangible assets		47,751	39,258
Deferred income tax assets	8	24,949	27,164
Other assets	16	102,245	102,153
Assets classified as held for sale		52,213	53,065
TOTAL ASSETS		5,157,659	5,094,335
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	16	61,529	123,063
Customer accounts	13, 16	3,411,803	3,324,734
Financial liabilities at fair value through profit or loss	11	70,561	75,409
Debt securities issued	14	705,603	695,483
Other borrowed funds		99,430	101,595
Provisions		59,470	57,329
Deferred income tax liabilities	8	6,015	28,360
Dividends payable		471	1
Other liabilities		59,140	33,858
Subordinated debt		285,980	281,235
Total liabilities		4,760,002	4,721,067
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		234,560	234,520
Additional paid-in-capital		(6,405)	(6,405)
Property and equipment revaluation reserve		11,941	5,201
Other reserves		157,555	139,943
Total equity attributable to equity holders of the Parent		397,651	373,259
Non-controlling interest		6	9
Total equity		397,657	373,268
TOTAL LIABILITIES AND EQUITY		5,157,659	5,094,335

On behalf of the Management Board of the Bank:

Yeltzov S.V.
Acting Chairman of the Board

28 June 2016
Almaty



Salikhova N.M.
Chief Accountant

28 June 2016
Almaty

The notes on pages 10-38 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit ¹	Cumulative translation reserve ¹	Hedging reserve ¹	Retained earnings ¹	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2014	213,301	(52,356)	(6,405)	7,166	(1,649)	(3,220)	702	208,164	365,703	50,338	416,041
Net profit/(loss)	-	-	-	-	-	-	-	4,130	4,130	(287)	3,843
Other comprehensive income/(loss)	-	-	-	811	(1,136)	484	(70)	-	89	(2,570)	(2,481)
Total comprehensive income/(loss)	-	-	-	811	(1,136)	484	(70)	4,130	4,219	(2,857)	1,362
Repurchase of treasury shares	-	(68)	-	-	-	-	-	-	(68)	-	(68)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(19)	-	-	-	19	-	-	-
Acquisition of BTA shares	-	-	-	-	-	-	-	(32,551)	(32,551)	(40,947)	(73,498)
Issue of ordinary shares	73,510	-	-	-	-	-	-	-	73,510	-	73,510
31 March 2015 (unaudited)	286,811	(52,424)	(6,405)	7,958	(2,785)	(2,736)	632	179,762	410,813	6,534	417,347

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit ¹	Cumulative translation reserve ¹	Hedging reserve ¹	Retained earnings ¹	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2015	286,811	(52,291)	(6,405)	5,201	(2,284)	(4,242)	405	146,064	373,259	9	373,268
Net profit	-	-	-	-	-	-	-	18,450	18,450	1	18,451
Other comprehensive income/(loss)	-	-	-	6,781	(347)	(419)	(81)	-	5,934	-	5,934
Total comprehensive income/(loss)	-	-	-	6,781	(347)	(419)	(81)	18,450	24,384	1	24,385
Sale of treasury shares	-	40	-	-	-	-	-	-	40	-	40
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(41)	-	-	-	41	-	-	-
Dividend payment	-	-	-	-	-	-	-	(32) ²	(32)	(4)	(36)
31 March 2016 (unaudited)	286,811	(52,251)	(6,405)	11,941	(2,631)	(4,661)	324	164,523	397,651	6	397,657

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

²Tax on dividends of CJSC Kazkommertsbank Tajikistan in accordance with legislation of the Republic of Tajikistan.

On behalf of the Management Board of the Bank:

Yelzov S.A.
Acting Chairman of the Board

28 June 2016
Almaty

Salikhova N.M.
Chief Accountant

28 June 2016
Almaty

The notes on pages 10-38 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	1,949	1,526
Interest received on loans and advances to banks and other financial institutions	4,292	2,551
Interest received from loans to customers	32,315	33,704
Interest received from bonds of JSC National Welfare Fund Samruk-Kazyna	-	9,000
Interest received from investments available-for-sale	258	4,751
Interest received from investments held to maturity	5,864	57
Interest paid on loans and advances from banks and other financial institutions	(2,051)	(11,397)
Interest paid on customer accounts	(24,265)	(23,602)
Interest paid on debt securities issued	(21,281)	(6,560)
Interest paid on other borrowed funds	(905)	(4,287)
Interest paid on subordinated debt	(1,997)	(1,624)
Fee and commission received	10,875	12,286
Fee and commission paid	(4,687)	(4,638)
Other income received	3,562	1,847
Operating expenses paid	(14,567)	(19,634)
Cash outflow from operating activities before changes in operating assets and liabilities	(10,638)	(6,020)
Changes in operating assets and liabilities		
Decrease/(increase) in operating assets:		
Funds deposited with National Bank of the Republic of Kazakhstan	3,033	(3,532)
Funds deposited with Central Bank of Russian Federation	(901)	(473)
Funds deposited with National Bank of Tajikistan	294	31
Precious metals	(187)	369
Financial assets at fair value through profit or loss	178,206	33,465
Loans and advances to banks and other financial institutions	19,587	(9,014)
Loans to customers	(69,481)	74,928
Other assets	(11,189)	(622)
(Decrease)/increase in operating liabilities:		
Loans and advances from banks and other financial institutions	(65,443)	(1,327)
Customer accounts	43,155	(85,648)
Other liabilities	25,702	9,758
Cash inflow from operating activities before taxation	112,138	11,915
Income tax paid	(28,023)	(7,653)
Net cash inflow from operating activities	84,115	4,262

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(545)	(397)
Proceeds on sale of property and equipment	33	84
Proceeds on sale of assets classified as held for sale	6,811	-
Dividends received	20	13
Proceeds on maturity and from sale of investments available-for-sale	2,891	34,907
Purchase of investments available-for-sale	-	(81)
Purchase of investment property	(648)	(1,778)
Proceeds from disposal of investment property	-	1,094
Purchase of investments held to maturity	-	(4,976)
Purchase of share in subsidiary	-	(73,498)
	<u>8,562</u>	<u>(44,632)</u>
Net cash inflow/(outflow) from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares	-	73,510
Purchase of treasury shares	-	(68)
Proceeds from sale of treasury shares	40	-
Proceeds from debt securities issued	-	49,719
Repurchase and repayment of debt securities issued	(438)	(415)
Proceeds from other borrowed funds	-	3,163
Repayment of other borrowed funds	(2,931)	-
Repayment of subordinated debt	-	(6,996)
Dividends paid on preference shares	(517)	(242)
	<u>(3,846)</u>	<u>118,671</u>
Net cash (outflow)/inflow from financing activities		
Effect of changes in foreign exchange rate on cash and cash equivalents	1,703	1,485
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,534	79,786
CASH AND CASH EQUIVALENTS, beginning of period (Note 10)	<u>268,426</u>	<u>305,538</u>
CASH AND CASH EQUIVALENTS, end of period (Note 10)	<u>358,960</u>	<u>385,324</u>

During the three months ended 31 March 2016, the Group made non-cash transfers from investment property to assets classified as held for sale in the amount of KZT 10 million. During the three months ended 31 March 2015, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 35,296 million and other assets in the amount of KZT 340,405 million.

On behalf of the Management Board of the Bank:

Yeltzov S.V.
Acting Chairman of the Board

28 June 2016
Almaty



Salikhova N.M.
Chief Accountant

28 June 2016
Almaty

The notes on pages 10-38 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)

1. ORGANISATION

Joint Stock Company (“JSC”) Kazkommertsbank (“the Bank”, or “Kazkommertsbank”) is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank’s activities are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”) in accordance with the license No. 1.2.16/222/32 dated 2 December 2014. The Bank’s primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin Str., Almaty, 050060, the Republic of Kazakhstan.

As at 31 March 2016 and 31 December 2015, the Bank has 23 branches in the Republic of Kazakhstan.

Kazkommertsbank is the Parent company of the banking group (“the Group”), which includes the following subsidiaries consolidated in the interim condensed consolidated financial information as at 31 March 2016 and 31 December 2015:

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		As at 31 March 2016	As at 31 December 2015	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	Payment card processing and other related services
Kazkommerts International B.V.	Kingdom of 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
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Banking
JSC 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 Subsidiary of JSC BTA Bank BTA Securities	Republic of Kazakhstan	100%	100%	Securities market transactions and management of assets
LLP AlemCard	Republic of Kazakhstan	100%	100%	Payment card processing and other related services
LLP Titan-Inkassatsiya	Republic of Kazakhstan	100%	100%	Cash collection services
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	99.97%	99.97%	Insurance
JSC Grantum APF	Republic of Kazakhstan	-	82.52%	Pension fund

Shareholders

As at 31 March 2016 and December 2015, the following shareholders owned the issued ordinary shares of the Bank:

	31 March 2016		31 December 2015	
	Number of shares	Direct ownership,* %	Number of shares	Direct ownership,* %
Mr. Kenes Rakishev	228,642,743	28.69	228,642,743	28.69
JSC Qazaq Financial Group (“QFG”)**	223,922,790	28.10	223,922,790	28.10
JSC Central-Asian Investment Company (“CAIC”)	185,561,734	23.28	185,561,734	23.28
JSC NWF Samruk–Kazyna	85,517,241	10.73	85,517,241	10.73
Mr. Nurzhan Subkhanberdin	47,800,962	6.00	47,800,962	6.00
Other shareholders	25,469,926	3.20	25,490,812	3.20
Total***	796,915,396	100.00	796,936,282	100.00

Notes:

*These percentage holdings were calculated based on the direct holding of each shareholder in the total number of ordinary shares outstanding less treasury shares purchased by the Bank and its subsidiaries. JSC Kazkommerts Securities, subsidiary of the Bank, acts as a market-maker of the Bank’s shares on the local stock exchange.

**Previously JSC Alnair Capital Holding.

***This number is calculated at each reporting date as the total number of the ordinary shares outstanding minus treasury shares purchased by the Bank’s market-maker based on the requirements of the Kazakhstan Stock Exchange (“KASE”).

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 2015.

The preparation of the interim condensed consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

The interim condensed consolidated financial information reflects all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the financial information are of a normal, recurring nature. Because the results from common banking activities are closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the functional currency”). The reporting currency of this interim condensed consolidated financial information is the Kazakhstani 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 2015. There were no changes in accounting policies during the three months ended 31 March 2016.

Valuation of BTA loan

Accounting policy

The allowance for impairment losses on loans issued to BTA, a company under common control, was estimated in accordance with the Group’s accounting policy for unimpaired loans, due to the fact the loan is currently performing, as interest and principal payments have been made in line with the contractual repayment schedule.

Further in assessing the loan, the Bank considered the business plan, submitted by BTA, which included expected future cash flows from the continuing operations of BTA. The business plan, contained management judgments in relation to the timing and the expected proceeds from the sale of existing and contingent assets of BTA, adjusted for probabilities and possible risks. The Management of the Group believes that the applicable calculation is complete and adequate.

4. NET INTEREST INCOME

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
Interest income comprise:		
Interest income on financial assets recorded at amortized cost:		
- interest income on collectively assessed impaired financial assets	3,171	5,115
- interest income on financial assets that have been assessed individually for impairment	6,737	22,341
- interest income on financial assets that are not impaired including collectively not impaired loans	105,155	48,346
Interest income on financial assets at fair value through profit or loss	2,211	1,541
Interest income on investments available-for-sale	2,121	3,819
Total interest income	119,395	81,162
Interest income on financial assets recorded at amortized cost comprise:		
Interest on loans to customers	106,442	62,893
Interest on loans and advances to banks and other financial institutions	4,582	2,782
Interest on investments held to maturity	4,039	452
Interest income on bonds of JSC NWF Samruk-Kazyna	-	9,675
Total interest income on financial assets recorded at amortized cost	115,063	75,802
Interest income on financial assets at fair value through profit or loss:		
Interest income on financial assets held-for-trading	2,211	1,541
Total interest income on financial assets at fair value through profit or loss	2,211	1,541
Interest income on investments available-for-sale	2,121	3,819
Total interest income	119,395	81,162
Interest expense comprise:		
Interest expense on financial liabilities recorded at amortized cost	60,430	49,123
Total interest expense	60,430	49,123
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on customer accounts	35,572	22,651
Interest on debt securities issued	15,839	9,306
Interest on subordinated debt	5,207	2,106
Interest on loans and advances from banks and other financial institutions	2,469	14,346
Preference shares dividends	481	242
Other interest expense	862	472
Total interest expense on financial liabilities recorded at amortized cost	60,430	49,123
Net interest income before provision for impairment losses on interest bearing assets	58,965	32,039

5. ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million)	Loans to customers (KZT million) (Note 12)	Investments held to maturity (KZT million)	Total (KZT million)
31 December 2014	-	508,276	144	508,420
Additional provision recognized	18	7,488	-	7,506
Write-off of assets	-	(78,023)	-	(78,023)
Repayment of previously written off assets	-	984	-	984
Disposal of a subsidiary company	-	(259)	-	(259)
Foreign exchange difference	(18)	940	-	922
31 March 2015 (unaudited)	<u>-</u>	<u>439,406</u>	<u>144</u>	<u>439,550</u>
31 December 2015	99	314,442	60	314,601
(Recovery of provision)/additional provision recognized	(91)	22,960	(2)	22,867
Write-off of assets	-	(74,176)	-	(74,176)
Repayment of previously written off assets	-	6,781	159	6,940
Foreign exchange difference	(8)	6,656	-	6,648
31 March 2016 (unaudited)	<u>-</u>	<u>276,663</u>	<u>217</u>	<u>276,880</u>

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

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprise:		
Net gain/(loss) on operations with derivative financial instruments	21,226	(13,501)
Unrealized loss on fair value adjustment	(528)	(3,648)
Realized gain/(loss) on trading operations	1,790	(358)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>22,488</u>	<u>(17,507)</u>

7. OPERATING EXPENSES

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
Staff costs	8,438	8,573
Property and equipment maintenance	977	801
Taxes, other than income tax	935	1,775
Depreciation and amortization	901	1,059
Lease	770	861
Security	370	361
Expenses on repossessed assets	353	491
Advertising costs	346	234
Bank card services	337	276
Legal and consulting services	316	4,314
Communications costs	213	296
Collector services	129	94
Business trip expenses	121	152
Vehicle maintenance	96	84
Fines, penalty	34	12
Other expenses	1,132	1,310
	<u>15,468</u>	<u>20,693</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.

Tax effect of temporary differences as at 31 March 2016 and 31 December 2015:

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Deferred income tax assets:		
Unrealised loss on trading securities and derivatives	18,761	8,677
Tax losses carried forward on trading securities and derivatives	3,265	3,192
Accrued interest payable	1,496	1,198
Allowance for impairment losses on loans and advances to banks and customers	1,183	13,926
Tax losses carried forward	192	26
Property, equipment and intangible assets, accumulated depreciation	26	14
Other assets	26	131
Total deferred income tax assets	<u>24,949</u>	<u>27,164</u>

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Deferred income tax (liabilities)/assets:		
Property, equipment, intangible assets and accrued depreciation	(4,650)	(2,921)
Unrealised gain on trading securities and derivatives	(597)	(24,651)
Unrealized gain on revaluation of financial instruments, recognized on cash flow hedges	(81)	(101)
Provision on guarantees and letters of credit	373	373
Other liabilities	(1,060)	(1,060)
Total deferred income tax liabilities	<u>(6,015)</u>	<u>(28,360)</u>
Net deferred income tax assets/(liabilities)	<u>18,934</u>	<u>(1,196)</u>

Relationships between tax expenses and accounting profit for the three months ended 31 March 2016 and 2015 are explained as follows:

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
Profit before income tax	<u>34,620</u>	<u>4,793</u>
Tax at the statutory tax rate (20%)	6,924	959
Tax effect of permanent differences:		
- tax exempt income	(3,451)	(2,333)
- non-deductible write-off of loans	6,924	1,133
- other non-deductible expenses	5,662	1,191
Adjustments in respect of current income tax expense based on declarations for prior years	<u>110</u>	<u>-</u>
Income tax expense	<u>16,169</u>	<u>950</u>
Current income tax expense	34,181	7,683
Losses carried forward	3,485	-
Deferred income tax benefit	<u>(21,497)</u>	<u>(6,733)</u>
Income tax expense	<u>16,169</u>	<u>950</u>

The corporate income tax rate in the Republic of Kazakhstan was 20% during the three months ended 31 March 2016 and 2015.

	Three months ended 31 March 2016 (unaudited) (KZT million)	Year ended 31 December 2015 (KZT million)
Deferred income tax liabilities/(assets)		
As at beginning of the period	1,196	(6,022)
Deferred income tax (benefit)/expense recognized in statement of profit loss	(21,497)	7,643
Change in investments available-for-sale reserve	(258)	(132)
Change in hedging reserve	(20)	(74)
Change in deferred tax liability from revaluation of property and equipment	1,679	(74)
Other	(34)	(145)
	<u>1,196</u>	<u>(6,022)</u>
As at end of the period	<u>(18,934)</u>	<u>1,196</u>

9. EARNINGS PER SHARE

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

Dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Three months ended 31 March 2016 (unaudited) (KZT million)	Three months ended 31 March 2015 (unaudited) (KZT million)
Basic and diluted earnings per share		
Net profit attributable to equity holders of the Parent	18,450	4,130
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(2,060)	(396)
	<u>16,390</u>	<u>3,734</u>
Net profit attributable to ordinary shareholders	16,390	3,734
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>796,851,516</u>	<u>716,267,004</u>
Earnings per share – basic and diluted (KZT)	<u>20.57</u>	<u>5.21</u>

The book value per share for each type of shares as at 31 March 2016 and 31 December 2015 is as follows:

Type of shares	Outstanding shares	31 March 2016 (unaudited)		31 December 2015		
		Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	796,915,396	388,519	487.53	96,936,282	364,138	456.92
Preferred shares	123,797,783	<u>22,396</u>	180.91	23,160,124	<u>21,729</u>	176.43
		<u>410,915</u>			<u>385,867</u>	

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

According to amendments enacted to the Kazakhstan Stock Exchange (“the KASE”) Listing Rules effective from 25 August 2010, listed companies are required to present the book value per share (ordinary and preferred) in their financial statements. The Management of the Group believes that the book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

10. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Cash on hand	102,281	96,702
Balances with the national (central) banks	<u>46,068</u>	<u>27,206</u>
	<u>148,349</u>	<u>123,908</u>

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

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)	31 March 2015 (unaudited) (KZT million)
Cash and balances with national (central) banks	148,349	123,908	276,760
Loans and advances to banks with original maturities less than 3 months	248,867	212,611	104,675
REPO with banks original maturity of less than 3 months	28,007	596	59,945
Less funds deposited with the National Bank of the Republic of Kazakhstan (“the NBRK”)	(62,272)	(65,305)	(54,100)
Less funds deposited with the Central Bank of Russian Federation (“the CBR”)	(3,735)	(2,834)	(1,846)
Less funds deposited with the National Bank of Tajikistan (“the NBT”)	<u>(256)</u>	<u>(550)</u>	<u>(110)</u>
	<u>358,960</u>	<u>268,426</u>	<u>385,324</u>

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

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Debt securities	133,162	100,866
Derivative financial instruments	8,965	210,486
Equity investments	54,043	53,925
Total financial assets at fair value through profit or loss	<u>196,170</u>	<u>365,277</u>
	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Derivative financial instruments	70,561	75,409
Total financial liabilities at fair value through profit or loss	<u>70,561</u>	<u>75,409</u>

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

	31 March 2016 (unaudited)		31 December 2015	
	Nominal interest rate	Amount	Nominal interest rate	Amount
	%	(KZT million)	%	(KZT million)
Debt securities:				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.83-8.20	53,709	3.30-8.75	60,385
Short-term NBRK notes	-	49,664	-	-
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	4.88-6.50	15,322	4.88-6.50	15,928
Eurobonds of Kazakhstani companies	4.63-6.95	3,550	4.63-6.95	3,417
Eurobonds of Kazakhstani banks	7.25-9.00	3,144	6.38-9.00	3,333
Bonds of Kazakhstani companies	7.50-14.90	2,493	7.50-10.00	2,345
Bonds of Development Bank of Kazakhstan	6.00-6.50	2,207	6.00-6.50	2,194
Municipal bonds of the RF	13.47	1,943	13.26	1,743
Bonds of Kazakhstani banks	4.90-11.00	694	4.90-11.00	10,720
Bonds of Russian companies	10.75	436	10.75	373
Bonds of Russian banks	-	-	7.9	374
Bonds of international financial organizations, foreign banks and foreign financial organizations	-	-	4.77-13.78	54
		<u>133,162</u>		<u>100,866</u>

	31 March 2016 (unaudited)		31 December 2015	
	Ownership share %*	Amount (KZT million)	Ownership share %*	Amount (KZT million)
Equity investments:				
Shares of foreign banks	10.91	24,592	10.91	24,714
GDRs of Kazakhstani companies*	0.00-2.14	22,939	0.00-2.14	22,634
Shares of Kazakhstani companies*	0.00-3.81	4,394	0.00-3.72	4,295
GDRs of Kazakhstani banks	0.00-0.46	1,794	-	-
Shares of Kazakhstani banks*	0.00-0.82	290	0.00-0.82	304
Shares of foreign companies*	0.00-0.006	34	0.00-0.57	1,978
		<u>54,043</u>		<u>53,925</u>

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

As at 31 March 2016, the fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT Nil (31 December 2015: KZT 27,469 million).

	Notional amount	31 March 2016 (unaudited) Fair value (KZT million)		Notional amount	31 December 2015 Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
<i>Foreign exchange contracts</i>						
Swaps	740,457	8,949	(56,872)	603,059	210,464	(61,578)
Spot	5,891	12	(9)	6,175	21	(27)
Forwards	-	-	-	105	1	-
<i>Interest rate contracts:</i>						
Swaps	4,307	-	(398)	4,625	-	(408)
<i>Other:</i>						
Forward on securities	14,312	-	(13,282)	13,698	-	(13,396)
Spot on purchase of securities	1,538	-	-	-	-	-
Spot with precious metals	1,068	4	-	-	-	-
		<u>8,965</u>	<u>(70,561)</u>		<u>210,486</u>	<u>(75,409)</u>

As at 31 March 2016, the difference between the fair value of shares of Sekerbank TAS and cost of sale, according to the terms of the agreement with the JSC NWF Samruk-Kazyna, was recognized as a financial liability in the amount of KZT 13,282 million (31 December 2015: KZT 13,396 million).

12. LOANS TO CUSTOMERS

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Recorded as loans and receivables:		
Originated loans	4,237,172	4,140,641
Net investments in finance lease	3,882	3,537
	<u>4,241,054</u>	<u>4,144,178</u>
Less: allowance for impairment losses	<u>(276,663)</u>	<u>(314,442)</u>
	<u><u>3,964,391</u></u>	<u><u>3,829,736</u></u>

As at 31 March 2016, 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 547,784 million (31 December 2015: KZT 568,879 million). Those loans are presented in the table above net of provisions. The amount of provisions that were netted-off amounted to KZT 300,573 million (31 December 2015: KZT 308,249 million). Had the provisions not been netted off, the amount of loans before allowance for impairment losses as at 31 March 2016 would be equal to KZT 4,537,745 million (31 December 2015: KZT 4,448,890 million).

Movements in allowances for impairment losses on loans to customers for the three months ended 31 March 2016 and 2015 are disclosed in Note 5.

The table below presents the loans secured by type of collateral, rather than the sum of the fair value of collateral:

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Analysis by type of collateral:		
Loans collateralized by pledge of accounts receivable	2,391,701	2,338,089
Loans collateralized by pledge of real estate and land	667,479	671,016
Loans collateralized by pledge of equipment	218,306	178,674
Loans collateralized by pledge of inventories	192,310	192,450
Loans collateralized by pledge at development stage (real estate, land, shares, guarantees, other)	155,571	71,626
Loans collateralized by financial institutions guarantees	52,579	57,751
Loans collateralized by mixed collateral types	37,361	35,490
Loans collateralized by shares	35,967	33,985
Loans collateralized by cash or guarantees of the Government of the RK	26,069	30,001
Loans collateralized by corporate guarantees	15,534	19,916
Unsecured loans	<u>171,514</u>	<u>200,738</u>
	<u><u>3,964,391</u></u>	<u><u>3,829,736</u></u>

Mixed types of collateral consist of different types of collateral, including real estate, guarantees and inventories. Loans are classified as loans collateralized by mixed collateral, in the case where the division into the types described above is impracticable.

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Analysis by sector:		
Investments and finance	2,453,606	2,389,208
Individuals	332,268	353,717
Housing construction	206,931	203,720
Real estate	203,891	202,725
Wholesale and retail trade	137,119	140,148
Agriculture	105,055	19,049
Industrial and other construction	86,113	85,588
Hospitality business	82,694	84,890
Commercial real estate construction	66,003	58,450
Energy	63,362	58,273
Transport and communication	39,042	41,345
Mining and metallurgy	38,597	44,282
Food industry	33,173	31,233
Machinery construction	23,794	22,423
Production of construction materials	12,226	8,457
Medicine	6,479	5,864
Production of other non-metal materials	2,012	2,052
Other	72,026	78,312
	<u>3,964,391</u>	<u>3,829,736</u>

During the three months ended 31 March 2016 and year ended 31 December 2015, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 March 2016, such assets in the amount of KZT 43,977 million (31 December 2015: KZT 44,901 million) are included in assets classified as held for sale in the interim consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions. As at 31 March 2016 and 31 December 2015, the Group received assets by taking possession of collateral it held as security, which represents construction in progress. As at 31 March 2016, such assets in the amount of KZT 8,236 million (31 December 2015: KZT 8,164 million) are included in assets classified as held for sale in the interim consolidated statement of financial position.

As at 31 March 2016, the Group granted loans to the borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 2,488,644 million (31 December 2015: KZT 2,447,520 million).

As at 31 March 2016, a significant part of loans 93.40% (31 December 2015: 92.59%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

On 22 June 2015, the Board of Directors of the Bank has made a decision to open a credit line to BTA 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 NWF Samruk-Kazyna, KKB and BTA by signing respective credit documentation (in KZT and in USD); (iii) the Agreement on transfer of debt as at 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 loan denominated in KZT and 8% for loan denominated in USD. 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.

13. CUSTOMER ACCOUNTS

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Recorded at amortized cost:		
Time deposits	2,726,368	2,617,235
Demand deposits	681,393	703,619
Accounts in precious metals	4,042	3,880
	<u>3,411,803</u>	<u>3,324,734</u>

As at 31 March 2016, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 80,346 million (31 December 2015: KZT 90,598 million).

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Analysis by sector:		
Individuals	1,456,242	1,470,221
Government related entities	439,943	428,250
Public organizations and unions	406,725	402,603
Chemical and petrochemical industry	286,430	215,145
Investments and finance	221,131	179,595
Construction	112,817	121,211
Education	91,889	90,226
Wholesale and retail trade	75,460	83,517
Transport and communication	75,319	93,373
Individual services	71,519	75,391
Mining and metallurgy	40,873	55,801
Agriculture	27,016	11,972
Distribution of electricity, gas and water	11,909	17,408
Other	94,530	80,021
	<u>3,411,803</u>	<u>3,324,734</u>

14. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Recorded at amortized cost:					
Eurobonds:					
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	99,059	97,646
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	145,480	138,384
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	102,217	101,039
				<u>346,756</u>	<u>337,069</u>
(Less)/including:					
Discount on Eurobonds issued				(970)	(1,128)
Accrued interest on Eurobonds issued				7,140	10,165
				<u>7,140</u>	<u>10,165</u>
Total issued Eurobonds				<u>352,926</u>	<u>346,106</u>
Debt securities issued of					
JSC Kazkommertsbank at the price 99.95%	KZT	January 2022	8.75	95,182	101,372
Debt securities issued of					
JSC Kazkommertsbank at the price 99.97%	KZT	November 2019	8.40	61,743	60,509
Debt securities issued of					
JSC Kazkommertsbank at the price 102.21%-104.48%	KZT	April 2016	9.00	2,430	2,382
Issued promissory notes of					
OJSC Moskommertsbank	USD, RUR	March 2017	4.50-12.00	543	518
Issued bonds of Moscow Stars B.V. at the price of 99.00%					
	USD	March 2021	5.69	3,907	4,231
Debt securities previously issued by JSC BTA Bank at the price 100.00%					
	USD	December 2022	5.50	188,872	180,365
				<u>188,872</u>	<u>180,365</u>
				<u>705,603</u>	<u>695,483</u>

The nominal value of debt securities previously issued by JSC BTA Bank amounted to KZT 257,003 million, while discount and accrued interest expense amounted to KZT 71,665 million and KZT 3,534 million, respectively.

During the three months ended 31 March 2016, the Group repurchased debt securities issued in the total amount of KZT 1,594 million (2015: KZT 3,287 million).

During the three months ended 31 March 2016, the Group sold debt securities issued in the total amount of KZT 4,103 million (2015: KZT 3,539 million).

15. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 March 2016, the provision for losses on guarantees and other contingencies amounted to KZT 5,179 million (31 December 2015: KZT 5,894 million).

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

As at 31 March 2016, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 131,564 million (31 December 2015: KZT 138,318 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 31 March 2016 and 31 December 2015, the nominal or contract amounts and risk-weighted amounts were:

	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Contingent liabilities and credit commitments:		
Guarantees issued and similar commitments	127,077	130,047
Letters of credit and other transaction related to contingent obligations	46,907	53,815
Commitments on loans and unused credit lines	14,940	15,667
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	18	18
Total contingent liabilities and credit commitments	<u>188,942</u>	<u>199,547</u>
Less collateral in cash	(80,346)	(90,598)
Less provision for guarantees and other contingencies	<u>(5,179)</u>	<u>(5,894)</u>
Total contingent liabilities and credit commitments, net	<u>103,417</u>	<u>103,055</u>
Total risk-weighted amount	<u>133,028</u>	<u>138,780</u>

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 March 2016, the amount of contingent liabilities on such unused credit lines equals to KZT 291,338 million (31 December 2015: KZT 314,230 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 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.

Sekerbank TAS

In accordance with the decision of the Commercial Court of Istanbul dated 7 February 2012 at the request of Türkiye Vakıflar Bankası TAO provisional arrest was imposed on 101,726,214 shares of Şekerbank TAŞ belonging to JSC Subsidiary of JSC BTA Bank BTA securities (“BTA Securities”) together with the prohibition to transfer these shares to third parties. The issue regarding removal of the seizure of shares belonging to BTA Securities was considered during court sessions on 13 May 2013, 11 September 2013, 5 February 2014 and 2 June 2014. On 5 February 2015, a regular hearing took place. Due to the absence of one of the main judges, the next court session was postponed to 9 April 2015. However, the Commercial Court of Istanbul decided that the petition regarding the removal of the arrest on shares will be reviewed by convocation of an extraordinary meeting.

On 13 March 2015, 86.47% of BTA Securities’ share in Sekerbank was blocked by the decision of Commercial court of Istanbul, Turkey, including shares acquired and gratuitously received during 2015.

On 3 December 2015, the First Commercial Court of the First Instance in Istanbul, Turkey, issued a ruling in favor of Türkiye Vakıflar Bank T.A.O. and upheld its lawsuit. The ruling decreed that the amount due on loan guaranteed by the JSC BTA Bank should be recovered jointly from the defendants JSC BTA Bank and BTA Securities with a 22.5% interest per annum in favor of the plaintiff.

On 11 March 2016, as a result of the decision at the First Commercial Court of the First Instance in Istanbul, Turkey, the remaining 13.53% of Shekerbank shares out of encumbrance in the quantity of 17,083,367 shares were also blocked as the provision of guarantee of JSC BTA Bank on the loan to ELT LojistikLtd. Şti. (Turkey) issued by TürkiyeVakıflarBank T.A.O. (Turkey).

In execution of a court ruling, on 29 April 2016, 9.5% of Sekerbank shares belonging to BTA Securities were traded. Sekerbank itself took part in the trade and was declared the winner. However, BTA and BTA Securities filed a lawsuit contesting the legitimacy of trade results, which resulted in the court suspending trade results until the lawsuit can be considered (the review period may last between one and three years). For this reason, BTA Securities’ share in Sekerbank is currently unchanged.

Simultaneously, BTA Bank and BTA Securities filed a appeal against the court ruling to uphold TürkiyeVakıflarBank T.A.O demands. According to the Parent’s lawyers, the court ruling and any further actions of TürkiyeVakıflarBank T.A.O. (Turkey) to execute it would constitute a large number of violations of Turkish law. For this reason, JSC BTA bank and the BTA Securities believe they have a strong case by appealing against the actions of TürkiyeVakıflarBank T.A.O. (Turkey).

In connection with the above, Group management believes it is highly probable that the court case under consideration will conclude in favor of BTA and BTA Securities, if the case is supported further.

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 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 Kazakhstan continue to change rapidly, tax and regulatory frameworks 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 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. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free floating KZT exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, KZT depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

16. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24, Related Party Disclosures.

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below:

	31 March 2016 (unaudited) (KZT million)		31 December 2015 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Financial assets at fair value through profit or loss	-	196,170	10,783	365,277
- <i>other related parties</i>	-		10,783	
Loans and advances to banks and other financial institutions	5,178	356,069	-	296,677
- <i>other related parties</i>	5,178		-	
Loans to customers, before allowance	2,435,337	4,241,054	2,376,155	4,144,178
- <i>key management personnel of the entity or its parent</i>	5		5	
- <i>other related parties</i>	2,435,332		2,376,150	
Allowance for impairment losses on loans	(61,924)	(276,663)	(41,927)	(314,442)
- <i>other related parties</i>	(61,924)		(41,927)	
Investments, available-for-sale	-	32,240	174	34,544
- <i>other related parties</i>	-		174	
Other assets	90	102,245	-	102,153
- <i>other related parties</i>	90		-	
Loans and advances from banks and other financial institutions	37	61,529	1	123,063
- <i>other related parties</i>	37		1	
Customer accounts	88,764	3,411,803	49,085	3,324,734
- <i>parent company</i>	113		127	
- <i>key management personnel of the entity or its parent</i>	2,647		3,353	
- <i>other related parties</i>	86,004		45,605	
Commitments on loans and unused credit lines	98	14,940	112	15,667
- <i>key management personnel of the entity or its parent</i>	98		112	
Guarantees issued and similar commitments	6,815	127,077	6,810	130,047
- <i>other related parties</i>	6,815		6,810	
Letters of credit and other operations, related to contingent liabilities	-	46,907	17	53,815
- <i>other related parties</i>	-		17	

Included in the interim consolidated statement of profit or loss for the three months ended 31 March 2016 and 2015 are the following amounts which arose due to transactions with related parties:

	Three months ended 31 March 2016 (unaudited) (KZT million)		Three months ended 31 March 2015 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	54,224	119,395	12	81,162
- entities with joint control or significant influence over the entity	-		12	
- other related parties	54,224		-	
Interest expense	(19)	(60,430)	(67)	(49,123)
- parent company	-		(5)	
- entities with joint control or significant influence over the entity	-		(19)	
- key management personnel of the entity or its parent	(19)		(43)	
Operating expenses	(66)	(15,468)	(75)	(20,693)
Short-term employee benefits	(66)	(8,438)	(75)	(8,573)
Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(19,844)	(22,749)	(2)	(7,808)
- key management personnel of the entity or its parent	-		(2)	
- other related parties	(19,844)		-	

Key management personnel compensation for the three months ended 31 March 2016 and 2015 is represented by short-term employee benefits.

As at 31 March 2016 and 31 December 2015, the Group does not pledge any assets in connection with guarantees issued to management.

17. SEGMENT REPORTING

Business segments

The Group presents operating segments on the basis of four main products.

The amounts disclosed in the segment analysis below are regularly provided to and reviewed by the chief operating decision maker.

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the three months ended 31 March 2016
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	20,096	86,355	12,772	172	-	-	119,395
Internal interest income	20,840	17,261	69,463	-	-	(107,564)	-
External interest expenses	(13,623)	(16,222)	(30,585)	-	-	-	(60,430)
Internal interest expenses	(7,374)	(59,441)	(40,749)	-	-	107,564	-
Net interest income before provision for impairment losses on interest bearing assets	19,939	27,953	10,901	172	-	-	58,965
Provision for impairment losses on interest bearing assets	(3,195)	(19,674)	-	2	-	-	(22,867)
NET INTEREST INCOME	16,744	8,279	10,901	174	-	-	36,098
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	22,488	-	-	-	22,488
Net gain/(loss) on foreign exchange and precious metals operations	3,158	(68)	(22,519)	(51)	-	-	(19,480)
Fee and commission income	7,435	3,212	94	-	-	-	10,741
Fee and commission expense	(4,028)	(457)	(212)	(41)	-	-	(4,738)
Net realized gain/(loss) on investments available-for-sale	-	-	6	(431)	-	-	(425)
Dividend income	-	-	20	-	-	-	20
Other (expenses)/income	(79)	462	1,736	3,147	-	-	5,266
NET NON-INTEREST INCOME	6,486	3,149	1,613	2,624	-	-	13,872
OPERATING EXPENSES	(8,949)	(4,011)	(571)	(1,937)	-	-	(15,468)
PROFIT BEFORE OTHER OPERATING PROVISIONS	14,281	7,417	11,943	861	-	-	34,502
Provision for impairment losses on other transactions	-	(287)	-	(372)	-	-	(659)
Recovery of provision for guarantees and other contingencies	-	776	1	-	-	-	777
PROFIT BEFORE INCOME TAX	14,281	7,906	11,944	489	-	-	34,620
Segment assets	387,025	3,789,036	1,101,642	111,611	2,718	(234,373)	5,157,659
Segment liabilities	1,463,886	2,083,688	1,288,891	95,398	25,374	(197,235)	4,760,002

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	For the three months ended 31 March 2015
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	17,742	43,317	19,732	371	-	-	81,162
Internal interest income	15,940	10,916	59,796	-	-	(86,652)	-
External interest expenses	(11,151)	(20,026)	(17,946)	-	-	-	(49,123)
Internal interest expenses	(9,954)	(41,802)	(34,896)	-	-	86,652	-
Net interest income/(expense) before provision for impairment losses on interest bearing assets	12,737	(7,596)	26,533	371	-	(6)	32,039
Provision for impairment losses on interest bearing assets	(4,305)	(3,183)	(18)	-	-	-	(7,506)
NET INTEREST INCOME/(EXPENSE)	8,432	(10,779)	26,515	371	-	(6)	24,533
Net gain/(loss) on financial assets and liabilities at fair value though profit or loss	141	(265)	(17,245)	(138)	-	-	(17,507)
Net gain/(loss) on foreign exchange and precious metals operations	1,018	(8,635)	14,742	252	-	194	7,571
Fee and commission income	6,581	3,774	117	4	-	(53)	10,423
Fee and commission expense	(3,800)	(380)	(479)	(36)	-	53	(4,642)
Net realized gain/(loss) on investments available-for-sale	-	-	841	(14)	-	-	827
Dividend income	-	(3)	16	-	-	-	13
Other (expenses)/income	(278)	599	574	1,543	-	(245)	2,193
NET NON-INTEREST INCOME/(EXPENSES)	3,662	(4,910)	(1,434)	1,611	-	(51)	(1,122)
OPERATING EXPENSES	(8,174)	(11,532)	(347)	(885)	-	245	(20,693)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	3,920	(27,221)	24,734	1,097	-	188	2,718
(Recovery)/provision for impairment losses on other transactions	115	509	(88)	(916)	-	-	(380)
Recovery of provision for guarantees and other contingencies	-	78	-	-	-	-	78
Share of profits of associates	-	-	2,017	-	-	-	2,017
Profit on sale of a subsidiary	-	360	-	-	-	-	360
PROFIT/(LOSS) BEFORE INCOME TAX	4,035	(26,273)	26,662	181	-	188	4,793
Segment assets*	296,522	3,731,367	1,167,842	105,530	13,793	(220,719)	5,094,335
Segment liabilities*	1,474,668	1,982,528	1,332,376	87,063	5,098	(160,666)	4,721,067

*As at 31 December 2015

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 as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 March 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)				
1) Derivative financial assets (Note 11)	2,419	14,720	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)	6,546	195,766	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	Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated.
3) Non-derivative financial assets at fair value through profit or loss (Note 11)						
Debt securities	133,162	100,866	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments	54,043	53,925	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Investments available-for-sale	32,240	34,544	Level 1	Quoted bid prices in an active market.	N/A	N/A
5) Derivative financial liabilities (Note 11)	51,225	69,956	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
6) Derivative financial liabilities (Note 11)	19,336	5,453	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

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 March 2016 and 31 December 2015, respectively:

		Level 1	Level 2	Level 3	31 March 2016 Total (unaudited) (KZT million)
		(KZT million)	(KZT million)	(KZT million)	(KZT million)
Financial assets:					
Trading assets	Debt securities	133,162	-	-	133,162
	Equity investments	54,043	-	-	54,043
Derivative financial instruments	Foreign exchange and interest rate contracts	-	2,419	6,546	8,965
Investments available-for-sale	Debt securities	30,831	-	-	30,831
	Equity investments	1,381	-	28	1,409
Total		<u>219,417</u>	<u>2,419</u>	<u>6,574</u>	<u>228,410</u>
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	51,225	19,336	70,561
Total		<u>-</u>	<u>51,225</u>	<u>19,336</u>	<u>70,561</u>
		Level 1	Level 2	Level 3	31 December 2015 Total (KZT million)
		(KZT million)	(KZT million)	(KZT million)	(KZT million)
Financial assets:					
Trading assets	Debt securities	100,866	-	-	100,866
	Equity investments	53,925	-	-	53,925
Derivative financial instruments	Foreign exchange and interest rate contracts	-	14,720	195,766	210,486
Investments available-for-sale	Debt securities	33,143	-	-	33,143
	Equity investments	1,373	-	28	1,401
Total		<u>189,307</u>	<u>14,720</u>	<u>195,794</u>	<u>399,821</u>
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	69,956	5,453	75,409
Total		<u>-</u>	<u>69,956</u>	<u>5,453</u>	<u>75,409</u>

There were no transfers of financial instruments between Level 1 and 2 during the three months ended 31 March 2016 and year ended 31 December 2015.

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 three months ended 31 March 2016 and year ended 31 December 2015 was presented as follows:

	Financial assets at fair value through profit or loss		Financial assets available-for- sale	Total
	Trading assets Debt securities	Derivative financial instruments	Equity instruments Available-for- sale	
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2014	81	6,639	-	6,720
Additions	-	827	81	908
<i>Total gains or (losses)</i>				
- to profit or loss	1	188,300	-	188,301
-to other comprehensive income	-	-	(53)	(53)
Redemption (exchange for shares)	(81)	-	-	(81)
Disposal of subsidiary	14	-	-	14
Disposal	(15)	-	-	(15)
31 December 2015	-	195,766	28	195,794
Additions	-	3,969	-	3,969
<i>Total gains or (losses)</i>				
- to profit or loss	-	27,006	-	27,006
Redemption	-	(220,195)	-	(220,195)
31 March 2016 (unaudited)	-	6,546	28	6,574

As at 31 March 2016 and 31 December 2015, 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:

	31 March 2016 (unaudited)		31 December 2015	
	Carrying amount (KZT million)	Fair value	Carrying Amount (KZT million)	Fair value
Financial assets:				
Loans to customers	3,964,391	3,956,646	3,829,736	3,853,164
Investments held to maturity	219,735	218,106	209,936	208,611
Financial liabilities:				
Customer accounts	3,411,803	3,416,479	3,324,734	3,328,690
Debt securities issued	705,603	677,190	695,483	709,344
Other borrowed funds	99,430	72,592	101,595	74,265
Subordinated debt	285,980	267,800	281,235	269,296

	31 March 2016 (unaudited)			Total (KZT million)
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	
Financial assets:				
Loans to customers	-	-	3,956,646	3,956,646
Investments held to maturity	218,106	-	-	218,106
Financial liabilities:				
Customer accounts	-	3,416,479	-	3,416,479
Debt securities issued	677,190	-	-	677,190
Other borrowed funds	-	72,592	-	72,592
Subordinated debt	267,800	-	-	267,800

	31 December 2015			Total (KZT million)
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	
Financial assets:				
Loans to customers	-	-	3,853,164	3,853,164
Investments held to maturity	208,611	-	-	208,611
Financial liabilities:				
Customer accounts	-	3,328,690	-	3,328,690
Debt securities issued	709,344	-	-	709,344
Other borrowed funds	-	74,265	-	74,265
Subordinated debt	269,296	-	-	269,296

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 1 April 2016, shareholders and the Board of Directors of the Bank announced an intention to introduce certain changes in the Management Board and the Board of Directors of the Bank to ensure continuity of business and successful implementation of the new corporate strategy of the Bank.

On 11 April 2016, the Bank has repaid debt securities issued in April 2010 for the original amount of KZT 2,338 billion. The debt securities issued were repaid in full from the Bank's own funds.

On 20 April 2016, Mr. Kenes Rakishev reached a preliminary agreement with Mr. Nurzhan Subkhanberdin and CAIC on acquisition of ordinary shares of the Bank owned by Mr. Subkhanberdin and CAIC.

Under the terms of this transaction Mr. Kenes Rakishev acquired 115,486,789 ordinary shares from CAIC. As a result, Mr. Rakishev's direct holding in the Bank increased from 28.67% to 43.15%. the total share under control of Mr. Kenes Rakishev, including indirect holdings through QFG, is 71.23%.

It is expected that Mr. Kenes Rakishev will purchase the remaining ordinary shares of the Bank from Mr. Subkhanberdin and CAIC by the end of the 3rd quarter of 2016, subject to relevant approvals and compliance with other conditions required for such transactions.

On 18 May 2016, the Bank announced to the holders the offer of: (i) issued in total of USD 200,000,000, with a coupon rate of 8.625% and maturity date on 27 July 2016 subordinated bonds with a current coupon rate of 6.765% per annum; (ii) issued in the amount of USD 500,000,000 with a coupon rate of 7.50% and maturity date on 29 November 2016 senior bonds; and (iii) issued senior bonds in total amount of Euro 750,000,000, with a coupon rate of 6.875% coupon and maturity date on 13 February 2017, to redeem above mentioned bonds in exchange for cash. The offer to repurchase the bonds expired on 27 May 2016.

On 1 June 2016, the Bank has notified the holders of Eurobonds that the Bank has accepted applications for purchase of principal amount for each of the three issues in the following order:

	Nominal value of accepted amount
Subordinated bonds issued in total of USD 200 million, with 8.625% coupon rate maturing on 27 July 2016	\$28,905,000
Senior bonds issued in total of USD 500 million, with 7.5% coupon rate maturing on 29 November 2016	\$4,758,000
Senior bonds issued in total of EUR 750 million, with 6.875% coupon rate maturing on 13 February 2017	€950,000

On 2 June 2016, in accordance with the terms and conditions of the Tender Offer Memorandum, holders of bonds were paid the corresponding principal amount at the purchase price and the corresponding accrued interest for the period from the date of the last coupon payment to the date of the tender offer.

As at 10 June 2016, Mr. Rakishev K.K. completed the purchase of ordinary shares from shareholders, announced on 6 May 2016, in accordance with paragraph 3 of Article 25 of the Law "On Joint Stock Companies".

As a result of submitted applications and executed orders, 648,120 ordinary shares of the Bank were purchased from minority shareholders at a price of 211.4978 KZT per share.

Upon the completion of these transactions, the composition of major shareholders – holders of ordinary shares of the Bank is as follows:

	Shareholders as at 31 March 2016 (unaudited)		Shareholders as at 10 June 2016 (unaudited)	
	Number of shares	% of direct ownership*	Number of shares	% of direct ownership*
Mr. Kenes Rakishev	228,642,743	28.69	344,777,652	43.26
JSC Qazaq Financial Group	223,922,790	28.10	223,922,790	28.10
CAIC	185,561,734	23.28	70,074,945	8.79
JSC NWF Samruk–Kazyna	85,517,241	10.73	85,517,241	10.73
Mr. Nurzhan Subkhanberdin	47,800,962	6.00	47,800,962	6.00
Other shareholders	25,469,926	3.20	24,821,806	3.12
Total**	796,915,396	100.00	796,915,396	100.00

*These percentage holdings were calculated based on the direct holding of each shareholder in the total number of ordinary shares outstanding less treasury shares purchased by the Bank and its subsidiaries. JSC Kazkommerts Securities, subsidiary of the Bank, acts as a market-maker of the Bank's shares on the local stock exchange.

** This number is calculated at each reporting date as the total number of the ordinary shares outstanding minus treasury shares purchased by the Bank's market-maker based on the requirements of the KASE.