

JOINT STOCK COMPANY KAZKOMMERTSBANK

**Interim Condensed Consolidated
Financial Information**
for the six months ended 30 June 2016 (unaudited)

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 AND THE SIX MONTHS ENDED 30 JUNE 2016 (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 2016 (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)	
1. Organization	10
2. Basis of presentation	13
3. Significant accounting policies	13
4. Net interest income	14
5. Allowance for impairment losses on interest bearing assets	15
6. Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	16
7. Operating expenses	16
8. Income tax	16
9. Earnings/(loss) per share	18
10. Cash and balances with national (central) banks	19
11. Financial assets and liabilities at fair value through profit or loss	20
12. Loans to customers	21
13. Customer accounts	23
14. Debt securities issued	24
15. Commitments and contingencies	25
16. Transactions with related parties	27
17. Segment reporting	29
18. Fair value of financial instruments	31
19. Subsequent events	36

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 2016 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 30 June 2016 and the results of its operations for the three and the six month periods 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 adequate 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 six months ended 30 June 2016 was approved by the Management Board of JSC Kazkommertsbank on 23 September 2016.

On behalf of the Management Board of the Bank:



Marc Holtzman
Chief Executive Officer

23 September 2016
Almaty



Salikhova N.M.
Chief Accountant

23 September 2016
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 condensed consolidated financial information of JSC Kazkommertsbank ("the Bank") and its subsidiaries ("the Group"), which comprise the interim consolidated statement of financial position as at 30 June 2016, and the 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 2016, and a summary of significant accounting policies and other explanatory information. 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.

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.

Deloitte, LLP

23 September 2016
Almaty

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

	Notes	Three months ended 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
Interest income	4, 16	101,356	102,690	220,751	183,852
Interest expense	4, 16	(61,574)	(48,164)	(122,004)	(97,287)
NET INTEREST INCOME BEFORE RECOVERY OF PROVISION/(PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		39,782	54,526	98,747	86,565
Recovery of provision/(provision) for impairment losses on interest bearing assets	5, 16	7,369	(90,552)	(15,498)	(98,058)
NET INTEREST INCOME/(EXPENSE)		47,151	(36,026)	83,249	(11,493)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(10,700)	(1,679)	11,788	(19,186)
Net (loss)/gain on foreign exchange and precious metals operations		(4,245)	(2,790)	(23,725)	4,781
Fee and commission income		11,710	12,791	22,451	23,214
Fee and commission expense		(5,390)	(4,628)	(10,128)	(9,270)
Net realized gain/(loss) on investments available-for-sale		1,511	(646)	1,086	181
Dividend income		332	1,255	352	1,268
Other income		3,948	1,175	9,214	3,728
NET NON-INTEREST (EXPENSE)/INCOME		(2,834)	5,478	11,038	4,716
OPERATING EXPENSES	7, 16	(18,049)	(21,193)	(33,517)	(41,886)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS		26,268	(51,741)	60,770	(48,663)
Provision for impairment losses on other transactions	16	(2,557)	(3,723)	(3,216)	(4,103)
Recovery of provision for guarantees and other contingencies	16	760	456	1,537	534
Share of (loss)/profits of associates		-	(1,284)	-	733
PROFIT/(LOSS) BEFORE INCOME TAX		24,471	(56,292)	59,091	(51,499)
Income tax benefit/(expense)	8	293	(2,328)	(15,876)	(3,278)
NET PROFIT/(LOSS)		24,764	(58,620)	43,215	(54,777)
Attributable to:					
Ordinary shareholders of the Parent		21,775	(55,414)	38,165	(51,284)
Preference shareholders of the Parent		2,989	-	5,049	-
Non-controlling interest		-	(3,206)	1	(3,493)
		24,764	(58,620)	43,215	(54,777)
EARNINGS/(LOSS) PER SHARE					
Basic and diluted (KZT)	9	27.32	(69.52)	47.89	(68.01)

On behalf of the Management Board of the Bank:


Marc Holtzman
Chief Executive Officer

23 September 2016
Almaty


Salikhova N.M.
Chief Accountant

23 September 2016
Almaty

The notes on pages 10-36 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 2016 (UNAUDITED)

	Three months ended 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
NET PROFIT/(LOSS) FOR THE PERIOD	24,764	(58,620)	43,215	(54,777)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Net (loss)/gain resulting on revaluation of property	(117)	35	8,322	1,305
Income tax	56	18	(1,623)	22
	(61)	53	6,699	1,327
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	227	4,713	(171)	2,686
Net gain resulting on revaluation of available-for-sale investments	2,081	1,788	1,051	913
Reclassification adjustment relating to available-for-sale investments disposed of in the period	(1,511)	646	(1,086)	(181)
Net loss on cash flows hedges	(105)	(91)	(206)	(179)
Income tax	(54)	(76)	224	(14)
	638	6,980	(188)	3,225
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	577	7,033	6,511	4,552
TOTAL COMPREHENSIVE INCOME/(LOSS)	25,341	(51,587)	49,726	(50,225)
Attributable to:				
Ordinary shareholders of the Parent	22,274	(53,927)	43,801	(49,720)
Preference shareholders of the Parent	3,067	241	5,924	253
Non-controlling interest	-	2,099	1	(758)
TOTAL COMPREHENSIVE INCOME/(LOSS)	25,341	(51,587)	49,726	(50,225)

On behalf of the Management Board of the Bank:


Marc Holtzman
Chief Executive Officer

23 September 2016
Almaty


Salikhova N.M.
Chief Accountant

23 September 2016
Almaty

The notes on pages 10-36 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 2016 (UNAUDITED)

	Notes	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	10	142,920	123,908
Precious metals		4,118	3,908
Financial assets at fair value through profit or loss	11, 16	205,644	365,277
Loans and advances to banks and other financial institutions	16	164,495	296,677
Loans to customers	12, 16	3,871,045	3,829,736
Investments available-for-sale	16	26,947	34,544
Investments held to maturity		214,368	209,936
Investment property		10,651	8,709
Property, equipment and intangible assets		47,594	39,258
Deferred income tax assets	8	18,644	27,164
Other assets	16	110,398	102,153
Assets classified as held for sale		76,671	53,065
TOTAL ASSETS		4,893,495	5,094,335
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	16	109,899	123,063
Customer accounts	13, 16	3,115,781	3,324,734
Financial liabilities at fair value through profit or loss	11	66,203	75,409
Debt securities issued	14	689,644	695,483
Other borrowed funds		91,315	101,595
Provisions		62,368	57,329
Deferred income tax liabilities	8	855	28,360
Dividends payable		1,166	1
Other liabilities		57,192	33,858
Subordinated debt		276,014	281,235
Total liabilities		4,470,437	4,721,067
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		234,588	234,520
Additional paid-in-capital		(6,405)	(6,405)
Property and equipment revaluation reserve		11,711	5,201
Other reserves		183,158	139,943
Total equity attributable to equity holders of the Parent		423,052	373,259
Non-controlling interest		6	9
Total equity		423,058	373,268
TOTAL LIABILITIES AND EQUITY		4,893,495	5,094,335

On behalf of the Management Board of the Bank:


Marc Holtzman
 Chief Executive Officer

23 September 2016
 Almaty


Salikhova N.M.
 Chief Accountant

23 September 2016
 Almaty

The notes on pages 10-36 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 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 2014	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/(loss)	-	-	-	868	1,116	(24)	(143)	-	1,817	2,735	4,552
Total comprehensive income/(loss)	-	-	-	868	1,116	(24)	(143)	(51,284)	(49,467)	(758)	(50,225)
Repurchase of treasury shares	-	(150)	-	-	-	-	-	-	(150)	-	(150)
Sale of treasury shares	-	182	-	-	-	-	-	-	182	-	182
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
30 June 2015 (unaudited)	286,811	(52,324)	(6,405)	5,547	(533)	(3,244)	559	124,832	355,243	1,606	356,849

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	-	-	43,214	43,214	1	43,215
Other comprehensive income/(loss)	-	-	-	6,714	148	(186)	(165)	-	6,511	-	6,511
Total comprehensive income/(loss)	-	-	-	6,714	148	(186)	(165)	43,214	49,725	1	49,726
Repurchase of treasury shares	-	(108)	-	-	-	-	-	-	(108)	-	(108)
Sale of treasury shares	-	176	-	-	-	-	-	-	176	-	176
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(204)	-	-	-	204	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	-	(4)	(4)
30 June 2016 (unaudited)	286,811	(52,223)	(6,405)	11,711	(2,136)	(4,428)	240	189,482	423,052	6	423,058

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.

On behalf of the Management Board of the Bank:


Marc Holtzman
Chief Executive Officer

23 September 2016
Almaty


Salikhova N.M.
Chief Accountant

23 September 2016
Almaty

The notes on pages 10-36 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 2016 (UNAUDITED)

	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on loans and advances to banks and other financial institutions	11,071	1,476
Interest received from financial assets at fair value through profit or loss	3,888	2,563
Interest received from loans to customers	76,211	54,573
Interest received from bonds of JSC National Welfare Fund Samruk-Kazyna	-	28,376
Interest received from investments available-for-sale	1,134	4,929
Interest received from investments held to maturity	6,588	639
Interest paid on loans and advances from banks and other financial institutions	(4,328)	(7,515)
Interest paid on customer accounts	(52,173)	(57,549)
Interest paid on debt securities issued	(38,921)	(17,466)
Interest paid on other borrowed funds	(1,166)	(1,580)
Interest paid on subordinated debt	(4,844)	(3,487)
Fee and commission received	23,633	25,695
Fee and commission paid	(10,080)	(9,284)
Other income received	7,548	7,503
Operating expenses paid	(31,678)	(45,120)
Cash outflow from operating activities before changes in operating assets and liabilities	(13,117)	(16,247)
Changes in operating assets and liabilities (Increase)/decrease in operating assets:		
Funds deposited with National Bank of Kazakhstan	7,209	8,001
Funds deposited with Central Bank of the Russian Federation	(1,103)	(485)
Funds deposited with National Bank of Tajikistan	262	6
Precious metals	(210)	447
Financial assets at fair value through profit or loss	155,115	32,668
Loans and advances to banks and other financial institutions	49,105	(152,649)
Loans to customers	16,629	42,910
Other assets	(23,244)	6,449
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(14,855)	12,681
Customer accounts	(229,959)	222,176
Other liabilities	20,351	(2,940)
Cash (outflow)/inflow from operating activities before taxation	(33,817)	153,017
Income tax paid	(27,203)	(8,083)
Net cash (outflow)/inflow from operating activities	(61,020)	144,934

JOINT STOCK COMPANY KAZKOMMERTSBANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(1,957)	(8,930)
Proceeds on sale of property, equipment and intangible assets	544	7,704
Proceeds on sale of assets held for sale	17,648	-
Dividends received	352	1,268
Proceeds on sale of investments available-for-sale	49,480	32,277
Purchase of investments available-for-sale	(37,721)	(1,240)
Purchase of investment property	(1,862)	(945)
Proceeds from sale of investment property	30	76
Purchase of investments held to maturity	-	(2,791)
Proceeds on maturity of investments held to maturity	5,199	-
Acquisition of ordinary share capital of subsidiaries	-	(73,498)
Net cash inflow/(outflow) from investing activities	31,713	(46,079)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of ordinary share capital	-	73,510
Repurchase of treasury shares	(108)	(150)
Sale of treasury shares	176	182
Proceeds from debt securities issued	-	94,370
Repurchase and repayment of debt securities issued	(6,150)	(415)
Repayment of bonds of JSC National Welfare Fund Samruk-Kazyna	-	32,250
Proceeds from other borrowed funds	700	3,163
Repayment of other borrowed funds	(13,081)	-
Repayment of subordinated debt	(9,762)	(6,996)
Payment of dividends	(879)	(521)
Net cash (outflow)/inflow from financing activities	(29,104)	195,393
Effect of changes in foreign exchange rate on cash and cash equivalents	(845)	414
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(59,256)	294,662
CASH AND CASH EQUIVALENTS, beginning of period (Note 10)	268,426	305,538
CASH AND CASH EQUIVALENTS, end of period (Note 10)	209,170	600,200

During the six months ended 30 June 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 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. These non-cash transfers were excluded from the interim consolidated statement of cash flows.

On behalf of the Management Board of the Bank:


Marc Holtzman
Chief Executive Officer

23 September 2016
 Almaty


Salikhova N.M.
Chief Accountant

23 September 2016
 Almaty

The notes on pages 10-36 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 2016 (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 Kazakhstan ("the NBK") 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 Ave., Almaty, 050060, the Republic of Kazakhstan.

As at 30 June 2016 and 31 December 2015, 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 2016 and in the consolidated financial statements for the year ended 31 December 2015:

Name	Country of operation	Proportion or ownership interest/voting rights		Type of operation
		As at 30 June 2016 (unaudited)	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

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

Shareholders

As at 30 June 2016 and 31 December 2015, the shareholders of the Bank's ordinary shares are:

	30 June 2016 (unaudited)		31 December 2015	
	Number of shares	Direct ownership,* %	Number of shares	Direct ownership,* %
Mr. Kenes Rakishev**	344,777,652	43.26	228,642,743	28.69
JSC Qazaq Financial Group	223,922,790	28.10	223,922,790	28.10
JSC Central-Asian Investment Company	70,074,945	8.79	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	24,872,101	3.12	25,490,812	3.20
Total***	796,965,691	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.

**As at 30 June 2016, the total number of shares under Mr. Kenes Rakishev's control, including indirect ownership as a result of his holdings in JSC Qazaq Financial Group, is 568,700,442 shares, total ownership share is 71.36%. As at 31 December 2015, the total number of shares is 452,565,533 shares, total ownership share is 56.79%.

***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 JSC Kazakhstan Stock Exchange.

DISPOSAL OF JSC BTA BANK

On 15 June 2015 JSC Kazkommertsbank 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 the Bank, and a portion of the Bank's distressed assets were transferred to BTA.

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

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 the Bank 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, the Bank transferred control over BTA to its main shareholders and excluded BTA from its consolidated financial statement, starting from 30 June 2015.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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

	30 June 2015 (KZT million) (unaudited)
ASSETS:	
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
Total assets	1,558,887
LIABILITIES:	
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
Total liabilities	1,549,936
Net assets disposed	8,951

Loss on disposal of a subsidiary

	On the date of loss of control (KZT million)
Investments in BTA stated at carrying value	-
Net assets disposed	(8,951)
Non-controlling interest in subsidiaries of JSC BTA Bank	1,941
Loss on disposal	(7,010)

Loss on disposal is reflected as loss 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.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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 six months ended 30 June 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.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

4. NET INTEREST INCOME

	Three months ended 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
Interest income comprise:				
Interest income on financial assets recorded at amortized cost:				
- interest income on collectively assessed impaired financial assets	4,033	2,473	7,204	7,588
- interest income on financial assets that have been assessed individually for impairment	11,244	12,648	17,981	34,989
- interest income on financial assets that are not impaired including collectively not impaired loans	79,877	28,231	185,032	76,577
Interest income on financial assets at fair value through profit or loss	5,405	1,121	7,616	2,662
Interest income on investments available-for-sale	797	(30)	2,918	3,789
Discount on customer accounts	-	58,247	-	58,247
Total interest income	101,356	102,690	220,751	183,852
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	85,339	35,447	191,781	98,340
Interest on loans and advances to banks and other financial institutions	5,934	2,518	10,516	5,300
Interest on investments held to maturity	3,881	148	7,920	600
Interest income on bonds of JSC National Welfare Fund Samruk-Kazyna	-	5,239	-	14,914
Total interest income on financial assets recorded at amortized cost	95,154	43,352	210,217	119,154
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held- for-trading	5,405	1,121	7,616	2,662
Total interest income on financial assets at fair value through profit or loss	5,405	1,121	7,616	2,662
Interest income on investments available-for-sale	797	(30)	2,918	3,789
Discount on customer accounts	-	58,247	-	58,247
Total interest income	101,356	102,690	220,751	183,852
Interest expense comprise:				
Interest expense on financial liabilities recorded at amortized cost	61,574	48,164	122,004	97,287
Total interest expense	61,574	48,164	122,004	97,287
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	38,623	20,975	74,195	43,626
Interest on debt securities issued	15,326	10,877	31,165	20,183
Interest on subordinated debt	5,303	2,313	10,510	4,419
Interest on loans and advances from banks and other financial institutions	1,164	8,119	3,633	22,465
Preference share dividends	395	221	876	463
Other interest expense	763	5,659	1,625	6,131
Total interest expense on financial liabilities recorded at amortized cost	61,574	48,164	122,004	97,287
Net interest income before recovery of provision/(provision) for impairment losses on interest bearing assets	39,782	54,526	98,747	86,565

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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 March 2015 (unaudited)	-	439,406	144	439,550
Additional provision/(recovery of provision)	20	90,719	(187)	90,552
Write-off of assets	-	(27,139)	(10)	(27,149)
Recovery of previously written-off assets	-	1,573	-	1,573
Foreign exchange differences	-	6,040	-	6,040
Recovery of impaired loans	-	35,534	-	35,534
Recalssification of assets	-	333	184	517
Disposal of subsidiary	(20)	(55,325)	3	(55,342)
Integration with JSC BTA Bank	-	(283,397)	2,772	(280,625)
30 June 2015 (unaudited)	-	207,744	2,906	210,650
31 March 2016 (unaudited)	-	276,663	217	276,880
(Recovery of provision)/additional provision	-	(7,380)	11	(7,369)
Write-off of assets	-	(14,878)	-	(14,878)
Recovery of previously written-off assets	-	13,264	-	13,264
Foreign exchange differences	-	(2,332)	-	(2,332)
30 June 2016 (unaudited)	-	265,337	228	265,565
31 December 2014	-	508,276	144	508,420
Additional provision/(recovery of provision)	38	98,207	(187)	98,058
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
Recalssification of assets	-	333	184	517
Integration with JSC BTA Bank	-	(283,397)	2,772	(280,625)
Disposal of subsidiary	(38)	(55,584)	3	(55,619)
30 June 2015 (unaudited)	-	207,744	2,906	210,650
31 December 2015	99	314,442	60	314,601
(Recovery of provision)/additional provision	(87)	15,576	9	15,498
Write-off of assets	-	(89,054)	-	(89,054)
Recovery of previously written-off assets	-	20,045	159	20,204
Foreign exchange differences	(12)	4,328	-	4,316
30 June 2016 (unaudited)	-	265,337	228	265,565

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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

	Three months ended 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:				
Realized gain/(loss) on trading operations	361	170	2,151	(188)
Unrealized gain/(loss) on fair value adjustment	682	(2,297)	154	(5,945)
Net (loss)/gain on operations with derivative financial instruments	(11,743)	448	9,483	(13,053)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(10,700)	(1,679)	11,788	(19,186)

7. OPERATING EXPENSES

	Three months ended 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
Staff costs	10,975	7,729	19,413	16,302
Property and equipment maintenance	1,047	1,688	2,024	2,489
Depreciation and amortization	938	974	1,839	2,034
Operating lease	806	909	1,576	1,769
Taxes, other than income tax	525	1,148	1,460	2,923
Legal and consulting services	469	3,415	785	7,729
Bank card services	461	251	798	528
Security	419	402	789	764
Expenses on assets received	346	791	699	1,282
Advertising costs	319	322	665	556
Communications costs	200	316	413	612
Business trip expenses	183	185	304	338
Collector services	103	81	232	175
Vehicle maintenance	103	96	199	178
Fines, penalties	7	55	41	67
Other expenses	1,148	2,831	2,280	4,140
	18,049	21,193	33,517	41,886

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.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

Tax effect of temporary differences as at 30 June 2016 and 31 December 2015:

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Deferred income tax assets/(liabilities):		
Unrealised loss on trading securities and derivatives	18,490	8,677
Tax losses carried forward on trading securities and derivatives	3,265	3,192
Accrued interest payable	880	1,198
Allowance for impairment losses on loans and advances to banks and customers	774	13,926
Tax losses carried forward	15	26
Property, equipment and intangible assets, accumulated depreciation	(4,471)	14
Unrealized gain on revaluation of financial instruments, recognized on cash flow hedges	(60)	-
Other assets	(249)	131
Total deferred income tax assets	18,644	27,164
Deferred income tax assets/(liabilities):		
Property, equipment and intangible assets, accumulated depreciation	(156)	(2,921)
Unrealized gain on trading securities and derivatives	(627)	(24,651)
Unrealized gain on revaluation of financial instruments, recognized on cash flow hedges	-	(101)
Provision on guarantees and letters of credit	373	373
Other liabilities	(445)	(1,060)
Total deferred income tax liabilities	(855)	(28,360)
Net deferred income tax assets/(liabilities)	17,789	(1,196)

Relationships between tax expenses and accounting profit for the three and the six months ended 30 June 2016 and 2015 are explained as follows:

	Three months ended 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
Profit/(loss) before income tax	24,471	(56,292)	59,091	(51,499)
Tax at the statutory tax rate (20%)	4,894	(11,258)	11,818	(10,300)
Tax effect of permanent differences:				
- tax exempt income	(2,735)	(500)	(6,186)	(2,833)
- (non-taxable income on recovery of provision on loans)/non-deductible expense on write off loans	(3,622)	(9,151)	3,302	(8,018)
- other non-deductible expense	1,175	23,237	3,352	24,429
Adjustments of deferred income tax for prior years	(5)	-	3,480	-
Adjustments of current income tax for prior years	-	-	110	-
Income tax (benefit)/expense	(293)	2,328	15,876	3,278
Current income tax (benefit)/expense	(1,409)	252	36,257	7,935
Adjustments of deferred income tax for prior years	(5)	-	3,480	-
Deferred income tax expense/(benefit)	1,121	2,076	(23,861)	(4,657)
Income tax (benefit)/expense	(293)	2,328	15,876	3,278

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

The corporate income tax rate in the Republic of Kazakhstan was 20% during the six months ended 30 June 2016 and 2015.

	Six months ended 30 June 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 or loss	(20,381)	7,643
Change in investments available-for-sale reserve	(183)	(132)
Change in hedging reserve	(41)	(74)
Change in deferred tax liability from revaluation of property and equipment	1,623	(74)
Other	(3)	(145)
As at end of the period	(17,789)	1,196

9. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share are calculated by dividing the net income/(loss) 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 30 June 2016 (unaudited) (KZT million)	Three months ended 30 June 2015 (unaudited) (KZT million)	Six months ended 30 June 2016 (unaudited) (KZT million)	Six months ended 30 June 2015 (unaudited) (KZT million)
Basic and diluted earnings/(loss) per share				
Net profit/(loss) attributable to equity holders of the Parent	24,764	(55,414)	43,214	(51,284)
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(2,989)	-	(5,049)	-
Net profit/(loss) attributable to ordinary shareholders	21,775	(55,414)	38,165	(51,284)
Weighted average number of ordinary shares for basic and diluted earnings per share	796,968,110	797,133,517	796,909,811	754,101,823
Earnings/(loss) per share				
- basic and diluted (KZT)	27.32	(69.52)	47.89	(68.01)

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

The book value per share for each type of shares as at 30 June 2016 and 31 December 2015 is as follows:

Type of shares	30 June 2016 (unaudited)			31 December 2015		
	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	796,965,691	414,031	519.51	796,936,282	364,138	456.92
Preference shares	123,913,765	22,569	182.14	123,160,124	21,729	176.43
		436,600			385,867	

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

According 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 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Cash on hand	90,812	96,702
Balances with the national (central) banks	52,108	27,206
	142,920	123,908

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

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)	30 June 2015 (unaudited) (KZT million)
Cash and balances with national (central) banks	142,920	123,908	502,058
Loans and advances to banks with original maturities less than 3 months	109,528	212,611	131,077
REPO with banks with original maturity of less than 3 months	19,043	596	11,625
Less funds deposited with the National Bank of Kazakhstan	(58,096)	(65,305)	(42,567)
Less funds deposited with the Central Bank of the Russian Federation	(3,937)	(2,834)	(1,858)
Less funds deposited with the National Bank of Tajikistan	(288)	(550)	(135)
	209,170	268,426	600,200

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Financial assets at fair value through profit or loss:		
Debt securities	142,168	100,866
Equity investments	50,829	53,925
Derivative financial instruments	12,647	210,486
Total financial assets at fair value through profit or loss	205,644	365,277

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	66,203	75,409
Total financial liabilities at fair value through profit or loss	66,203	75,409

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

	30 June 2016 (unaudited)		31 December 2015	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:				
Short-term NBK notes	-	80,682	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.83-8.20	49,367	3.30-8.75	60,385
Bonds of Kazakhstani companies	7.50-14.90	2,579	7.50-10.00	2,345
Bonds of Development Bank of Kazakhstan	6.00-6.50	2,356	6.00-6.50	2,194
Eurobonds of Kazakhstani companies	4.63-6.95	2,191	4.63-6.95	3,417
Municipal bonds of the Russian Federation	13.01	2,014	13.26	1,743
Eurobonds of Kazakhstani banks	7.25	1,855	6.38-9.00	3,333
Bonds of Kazakhstani banks	7.00-11.00	680	4.90-11.00	10,720
Bonds of Russian companies	13.50	444	10.75	373
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	4.88-6.50	15,928
Bonds of Russian banks	-	-	7.9	374
Bonds of international financial organizations, foreign banks and foreign financial organizations	-	-	4.77-13.78	54
		142,168		100,866

	30 June 2016 (unaudited)		31 December 2015	
	Ownership share %	Amount (KZT million)	Ownership share %	Amount (KZT million)
Equity investments:				
GDRs of Kazakhstani companies	0.00-2.16	21,962	0.00-2.14	22,634
Shares of foreign banks	10.91	19,440	10.91	24,714
Shares of Kazakhstani companies	0.00-3.95	4,900	0.00-3.72	4,295
GDRs of Kazakhstani banks	0.00-0.93	4,206	-	-
Shares of Kazakhstani banks	0.00-0.82	296	0.00-0.82	304
Shares of foreign companies	0.00-0.01	25	0.00-0.57	1,978
		50,829		53,925

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

As at 30 June 2016, the fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT 63,466 million (31 December 2015: KZT 27,469 million).

	Notional amount	30 June 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	709,990	12,640	(57,412)	603,059	210,464	(61,578)
Spot	4,952	7	(8)	6,175	21	(27)
Forwards	-	-	-	105	1	-
<i>Interest rate contracts:</i>						
Swaps	3,396	-	(300)	4,625	-	(408)
<i>Other:</i>						
Forward on securities	13,818	-	(8,483)	13,698	-	(13,396)
		12,647	(66,203)		210,486	(75,409)

As at 30 June 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 8,483 million (31 December 2015: KZT 13,396 million).

12. LOANS TO CUSTOMERS

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Recorded as loans and receivables:		
Loans to customers	4,132,543	4,140,641
Net investments in finance lease	3,839	3,537
	4,136,382	4,144,178
Less: allowance for impairment losses	(265,337)	(314,442)
	3,871,045	3,829,736

As at 30 June 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 505,574 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 286,333 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 30 June 2016 would be equal to KZT 4,418,876 million (31 December 2015: KZT 4,448,890 million).

Movements in allowances for impairment losses on loans to customers for the three and six months ended 30 June 2016 and 2015 are disclosed in Note 5.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Analysis by type of collateral:		
Loans collateralized by pledge of accounts receivable	2,418,948	2,338,089
Loans collateralized by pledge of real estate and land	619,883	671,016
Loans collateralized by pledge of equipment	224,941	178,674
Loans collateralized by pledge of inventories	201,812	192,450
Loans collateralized by shares	82,584	33,985
Loans collateralized by financial institutions guarantees	62,385	57,751
Loans collateralized by pledge at development stage (real estate, land, shares, guarantees, other)	40,280	71,626
Loans collateralized by mixed collateral types	29,326	35,490
Loans collateralized by cash or guarantees of the Government of the RK	20,895	30,001
Loans collateralized by corporate guarantees	20,260	19,916
Unsecured loans	149,731	200,738
	3,871,045	3,829,736

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.

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Analysis by sector:		
Investments and finance	2,471,585	2,389,208
Individuals	308,834	353,717
Housing construction	226,200	203,720
Real estate	149,320	202,725
Agriculture	109,640	19,049
Wholesale and retail trade	107,524	140,148
Commercial real estate construction	83,044	58,450
Industrial and other construction	76,496	85,588
Transport and communication	69,366	41,345
Energy	59,005	58,273
Mining and metallurgy	39,623	44,282
Food industry	35,034	31,233
Hospitality business	28,799	84,890
Machinery construction	24,508	22,423
Production of construction materials	10,523	8,457
Medicine	5,908	5,864
Production of other non-metal materials	2,481	2,052
Other	63,155	78,312
	3,871,045	3,829,736

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

During the six months ended 30 June 2016 and year ended 31 December 2015, the Group received non-financial assets by taking possession of collateral it held as security. As at 30 June 2016, such assets in the amount of KZT 68,309 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 30 June 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 30 June 2016, such assets in the amount of KZT 8,362 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 30 June 2016, the Group granted loans to the borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 2,511,175 million (31 December 2015: KZT 2,447,520 million).

As at 30 June 2016, a significant part of loans 94.10% (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

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Recorded at amortized cost:		
Time deposits	2,540,746	2,617,235
Demand deposits	570,925	703,619
Accounts in precious metals	4,110	3,880
	3,115,781	3,324,734

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

As at 30 June 2016, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 86,180 million (31 December 2015: KZT 90,598 million).

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Analysis by sector:		
Individuals	1,443,108	1,470,221
Government related entities	438,568	428,250
Public organizations and unions	409,349	402,603
Investments and finance	221,801	179,595
Construction	128,255	121,211
Chemical and petrochemical industry	109,588	215,145
Individual services	69,665	75,391
Education	68,029	90,226
Wholesale and retail trade	60,751	83,517
Transport and communication	55,218	93,373
Mining and metallurgy	39,749	55,801
Agriculture	14,269	11,972
Distribution of electricity, gas and water	10,343	17,408
Other	47,088	80,021
	3,115,781	3,324,734

14. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Recorded at amortized cost:					
Eurobonds:					
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	140,160	138,384
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	100,737	101,039
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	95,441	97,646
				336,338	337,069
(Less)/including:					
Discount on Eurobonds issued				(801)	(1,128)
Accrued interest on Eurobonds issued				5,415	10,165
Total issued Eurobonds				340,952	346,106
Debt securities previously issued by JSC BTA Bank at the price 100.00%	USD	December 2022	5.50	184,932	180,365
Debt securities issued of JSC Kazkommertsbank at the price 99.95%	KZT	January 2022	8.75	97,206	101,372
Debt securities issued of JSC Kazkommertsbank at the price 99.97%	KZT	November 2019	8.40	63,002	60,509
Issued bonds of Moscow Stars B.V. at the price of 99.00%	USD	November 2020	5.69	3,006	4,231
Issued promissory notes of OJSC Moskommertsbank	USD, RUR	March 2017	4.50-12.00	546	518
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%	KZT	April 2016	9.00	-	2,382
				689,644	695,483

As at 30 June 2016, the nominal value of debt securities previously issued by JSC BTA Bank amounted to KZT 253,295 million, while discount amounted to KZT 68,363 million.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

During the six months ended 30 June 2016, the Group repurchased debt securities issued in the total amount of KZT 4,357 million (during the year ended 31 December 2015: KZT 3,287 million). Based on a Tender Offer, announced on 18 May 2016, the Bank repurchased issued bonds with a nominal value of KZT 2,180 million (USD 6,466,000) and KZT 359 million (EUR 950,000), with a maturity date of November 2016 and February 2017, respectively.

During the six months ended 30 June 2016, the Group sold debt securities issued in the total amount of KZT 4,179 million (2015: KZT 3,539 million).

On 11 April 2016, the Bank has repaid debt securities issued in April 2010 for the original amount of KZT 2,338 million. Debt securities issued was repaid in full on the date of its maturity from the Bank's own funds.

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 2016, the provision for losses on guarantees and other contingencies amounted to KZT 4,345 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 II standards.

As at 30 June 2016, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 143,590 million (31 December 2015: KZT 138,318 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 30 June 2016 and 31 December 2015, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
Contingent liabilities and credit commitments:		
Guarantees issued and similar commitments	141,336	130,047
Letters of credit and other transaction related to contingent obligations	45,814	53,815
Commitments on loans and unused credit lines	16,370	15,667
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	17	18
Total contingent liabilities and credit commitments	203,537	199,547
Less collateral in cash	(86,180)	(90,598)
Less provision for guarantees and other contingencies	(4,345)	(5,894)
Total contingent liabilities and credit commitments, net	113,012	103,055
Total risk-weighted amount	107,778	138,780

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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 2016, the amount of contingent liabilities on such unused credit lines equals to KZT 244,141 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 T.A.S.

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 T.A.Ş. 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 Sekerbank shares out of encumbrance in the quantity of 17,083,367,220 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.

On 5 May 2016, an application to cancel trading in connection with the sale of Sekerbank T.A.S. shares was filed, freezing the transfer of shares for the duration of the trial to the buyer and money to the Plaintiff (TürkiyeVakıflarBank T.A.O. (Turkey)) until a final verdict is issued.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

On 29 June 2016, a letter was sent to consultants rejecting an application to cancel trading, as if a trial ruling is made in favour of Turkiye Vakiflar Bank T.A.O., the court would oblige defendants to pay state duties of 10% of the auction amount.

In conjunction with the above, on 20 June 2016, BTA Bank and BTA Securities filed an appeal against the court ruling upholding the requirements of Turkiye Vakiflar Bank T.A.O. According to the consultants, the court ruling and further actions of Turkiye Vakiflar Bank T.A.O. (Turkey) for its implementation testify to a large number of violations of Turkish law. For this reason, BTA Bank and BTA Securities believe they have a good chance of recovering the violated rights and legitimate interests.

To improve its case, legal proceedings were launched on the issue under English jurisdiction as BTA Securities had signed a contract to provide legal services with the international law firm Reed Smith. After studying the case materials, Reed Smith consultants believe that BTA and BTA Securities have a good chance of bringing VakifBank to account through an English court on the basis of an infringement of a number of commitments made to them in the Deed of Release.

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 half 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 NBK 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 half 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.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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 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	-	205,644	10,783	365,277
- other related parties	-		10,783	
Loans and advances to banks and other financial institutions	5,101	164,495	-	296,677
- other related parties	5,101		-	
Loans to customers, before	2,470,854	4,136,382	2,376,155	4,144,178
- key management personnel of the entity or its parent	-		5	
- other related parties	2,470,854		2,376,150	
Allowance for impairment losses on loans	(53,271)	(265,337)	(41,927)	(314,442)
- other related parties	(53,271)		(41,927)	
Investments available-for-sale	-	26,947	174	34,544
- other related parties	-		174	
Other assets	60	110,399	-	102,153
- other related parties	60		-	
Loans and advances from banks and other financial institutions	180	109,899	1	123,063
- other related parties	180		1	
Customer accounts	32,420	3,115,781	49,085	3,324,734
- parent company	859		127	
- entities with joint control or significant influence over the entity	5		-	
- key management personnel of the entity or its parent	2,431		3,353	
- other related parties	29,125		45,605	
Guarantees issued and similar commitments	6,815	141,336	6,810	130,047
- other related parties	6,815		6,810	
Letters of credit and other transaction related to contingent obligations	-	45,814	17	53,815
- other related parties	-		17	
Commitments on loans and unused credit lines	357	16,370	112	15,667
- key management personnel of the entity or its parent	357		112	

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

Included in the interim consolidated statement of profit or loss for the six months ended 30 June 2016 and 2015 are the following amounts which arose due to transactions with related parties:

	For the six months ended 30 June 2016 (unaudited) (KZT million)		For the six months ended 30 June 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	113,074	220,751	1,591	183,852
- entities with joint control or significant influence over the entity	-		12	
- key management personnel of the entity or its parent	-		1	
- other related parties	113,074		1,578	
Interest expense	(54)	(122,004)	(103)	(97,287)
- parent company	-		(3)	
- entities with joint control or significant influence over the entity	-		(19)	
- key management personnel of the entity or its parent	(54)		(76)	
- other related parties	-		(5)	
Operating expenses	(3,061)	(33,517)	(166)	(41,886)
- short-term employee benefits	(3,061)	(19,413)	(166)	(16,302)
(Provision)/recovery of provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(17,705)	(17,177)	2	(101,627)
- other related parties	(17,705)		2	

Key management personnel compensation for the three and the six months ended 30 June 2016 and 2015 is represented by short-term employee benefits.

As at 30 June 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.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminai- tions	As at and for the six months ended 30 June 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	28,682	163,126	28,687	256	-	-	220,751
Internal interest income	48,674	35,704	152,471	-	-	(236,849)	-
External interest expenses	(28,668)	(33,486)	(59,850)	-	-	-	(122,004)
Internal interest expenses	(13,752)	(128,100)	(94,997)	-	-	236,849	-
Net interest income before recovery of provision/(provision) for impairment losses on interest bearing assets	34,936	37,244	26,311	256	-	-	98,747
Recovery of provision/(provision) for impairment losses on interest bearing assets	15,993	(31,569)	87	(9)	-	-	(15,498)
NET INTEREST INCOME	50,929	5,675	26,398	247	-	-	83,249
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	11,788	-	-	-	11,788
Net gain/(loss) on foreign exchange and precious metals operations	707	(180)	(24,257)	5	-	-	(23,725)
Fee and commission income	15,435	6,818	198	-	-	-	22,451
Fee and commission expense	(8,904)	(704)	(398)	(122)	-	-	(10,128)
Net realized gain on investments available- for-sale	-	-	14	1,072	-	-	1,086
Dividend income	-	-	352	-	-	-	352
Other income	892	1,576	1,642	5,104	-	-	9,214
NET NON-INTEREST INCOME/(EXPENSES)	8,130	7,510	(10,661)	6,059	-	-	11,038
OPERATING EXPENSES	(18,083)	(11,027)	(1,178)	(3,229)	-	-	(33,517)
PROFIT BEFORE OTHER OPERATING PROVISIONS	40,976	2,158	14,559	3,077	-	-	60,770
Provision for impairment losses on other transactions	-	(1,950)	-	(1,266)	-	-	(3,216)
Recovery of provision for guarantees and other contingencies	-	1,536	1	-	-	-	1,537
PROFIT BEFORE INCOME TAX	40,976	1,744	14,560	1,811	-	-	59,091
Segment assets	362,133	3,746,209	919,168	93,440	3,145	(230,600)	4,893,495
Segment liabilities	1,456,451	1,799,398	1,316,586	70,291	24,306	(196,595)	4,470,437

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	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	31,569	110,561	41,231	491	-	-	183,852
Internal interest income	31,112	26,276	129,618	-	-	(187,006)	-
External interest expenses	(19,368)	(43,911)	(34,008)	-	-	-	(97,287)
Internal interest expenses	(18,402)	(78,797)	(89,807)	-	-	187,006	-
Net interest income before (provision)/recovery of provision for impairment losses on interest bearing assets	24,911	14,129	47,034	491	-	-	86,565
(Provision)/recovery of provision for impairment losses on interest bearing assets	(22,539)	(75,689)	(25)	195	-	-	(98,058)
NET INTEREST INCOME/(LOSS)	2,372	(61,560)	47,009	686	-	-	(11,493)
Net gain/(loss) on financial assets and liabilities at fair value though profit or loss	-	444	(19,418)	(212)	-	-	(19,186)
Net gain/(loss) on foreign exchange and precious metals operations	260	(9,778)	14,255	44	-	-	4,781
Fee and commission income	13,396	6,647	1,315	1,856	-	-	23,214
Fee and commission expense	(7,274)	(1,380)	(538)	(78)	-	-	(9,270)
Net realized gain on investments available-for-sale	-	-	181	-	-	-	181
Dividend income	-	-	1,268	-	-	-	1,268
Other income	220	167	1,769	1,572	-	-	3,728
NET NON-INTEREST INCOME/(EXPENSES)	6,602	(3,900)	(1,168)	3,182	-	-	4,716
OPERATING EXPENSES	(15,975)	(24,202)	(526)	(1,183)	-	-	(41,886)
(LOSS)/PROFIT BEFORE OTHER OPERATING PROVISIONS	(7,001)	(89,662)	45,315	2,685	-	-	(48,663)
Recovery of provision/(provision) for impairment losses on other transactions	35	(2,490)	(5)	(1,643)	-	-	(4,103)
Recovery of provision for guarantees and other contingencies	-	533	-	1	-	-	534
Share of profits of associates	-	-	733	-	-	-	733
(LOSS)/PROFIT BEFORE INCOME TAX	(6,966)	(91,619)	46,043	1,043	-	-	(51,499)
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).

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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
	30 June 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)				
1) Derivative financial assets (Note 11)	6,547	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. 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.	N/A	N/A
2) Derivative financial assets (Note 11)	6,100	195,766	Level 3		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	142,168	100,866	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments	50,829	53,925	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Investments available-for-sale	26,919	34,516	Level 1	Quoted bid prices in an active market.	N/A	N/A
5) Investments available-for-sale	28	28	Level 3	The carrying value of the shares on the basis of forecasted capital of the joint bank (proceedings of the restructuring plan and consolidation of banks). 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. 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.	The fair value adjustment is based on an individual approach in view of the complex structure of the association and the restructuring of banks	The increase in equity capital increases the value of the joint bank shares
6) Derivative financial liabilities (Note 11)	51,763	69,956	Level 2		N/A	N/A
7) Derivative financial liabilities (Note 11)	14,440	5,453	Level 3		KZT implied rate	Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2016 and 31 December 2015, respectively:

		Level 1	Level 2	Level 3	30 June 2016
		(unaudited)	(unaudited)	(unaudited)	Total
		(KZT million)	(KZT million)	(KZT million)	(unaudited)
					(KZT million)
Financial assets:					
Trading assets	Debt securities	142,168	-	-	142,168
	Equity investments	50,829	-	-	50,829
Derivative financial instruments	Foreign exchange and interest rate contracts	-	6,547	6,100	12,647
Investments available-for-sale	Debt securities	24,136	-	-	24,136
	Equity investments	2,783	-	28	2,811
Total		219,916	6,547	6,128	232,591
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	51,763	14,440	66,203
Total		-	51,763	14,440	66,203
31 December 2015					
		Level 1	Level 2	Level 3	Total
		(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		189,307	14,720	195,794	399,821
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	69,956	5,453	75,409
Total		-	69,956	5,453	75,409

There were no transfers of financial instruments between Level 1 and 2 during the six months ended 30 June 2016 and year ended 31 December 2015.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for financial assets and liabilities measured at fair value on recurring basis for the six months ended 30 June 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 (KZT million)	Derivative financial instruments (KZT million)	Equity instruments Available-for-sale (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	-	26,560	-	26,560
Redemption	-	(220,195)	-	(220,195)
30 June 2016 (unaudited)	-	6,100	28	6,128
			Financial liabilities at fair value through profit or loss	Total
			Derivative financial instruments (KZT million)	(KZT million)
31 December 2014			-	-
Additions			-	-
<i>Total gains or (losses)</i>				
- to profit or loss			5,504	5,504
Redemption			(51)	(51)
31 December 2015			5,453	5,453
Additions			-	-
<i>Total gains or (losses)</i>				
- to profit or loss			25,652	25,652
Redemption			(16,665)	(16,665)
30 June 2016 (unaudited)			14,440	14,440

As at 30 June 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 equity securities, which are valued using valuation models not based on observable market data.

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

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 2016 (unaudited)		31 December 2015	
	Carrying amount (KZT million)	Fair value	Carrying Amount (KZT million)	Fair value
Financial assets:				
Loans to customers	3,871,045	3,832,997	3,829,736	3,853,164
Investments held to maturity	214,368	211,863	209,936	208,611
Financial liabilities:				
Customer accounts	3,115,781	3,121,328	3,324,734	3,328,690
Debt securities issued	689,644	680,080	695,483	709,344
Other borrowed funds	91,315	64,942	101,595	74,265
Subordinated debt	276,014	259,967	281,235	269,296

	30 June 2016 (unaudited)			Total (KZT million)
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	
Financial assets:				
Loans to customers	-	-	3,832,997	3,832,997
Investments held to maturity	211,863	-	-	211,863
Financial liabilities:				
Customer accounts	-	3,121,328	-	3,121,328
Debt securities issued	680,080	-	-	680,080
Other borrowed funds	-	64,942	-	64,942
Subordinated debt	259,967	-	-	259,967

JOINT STOCK COMPANY KAZKOMMERTSBANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED)

	31 December 2015			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (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 27 July 2016, the Bank repaid the subordinated bonds, issued in July 2006, for the original amount of USD 200 million. Subordinated bonds were repaid in full from the Bank's own funds.