

# **JOINT STOCK COMPANY KAZKOMMERTSBANK**

## **Interim Condensed Consolidated Financial Information**

for the nine months ended 30 September 2016  
(unaudited)

# Joint Stock Company Kazkommertsbank

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# 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 Nine Months Ended 30 September 2016 (Unaudited)

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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 September 2016 and the results of its operations for the three and the nine month periods then ended, as well as cash flows and changes in equity for the nine month period then ended, in compliance with International Financial Reporting Standards ("IFRS").

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 IFRSs 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 IFRSs;
- 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 nine months ended 30 September 2016 was approved by the Management Board of JSC Kazkommertsbank on 27 December 2016.

On behalf of the Management Board of the Bank:

  
\_\_\_\_\_  
**Iskandirov A.M.**  
**First Deputy Chief Executive Officer**

27 December 2016  
Almaty

  
\_\_\_\_\_  
**Salikhova N.M.**  
**Chief Accountant**

27 December 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 consolidated statement of financial position of JSC Kazkommertsbank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 September 2016 and the related interim consolidated statements of profit or loss, and other comprehensive income for the three and nine months then ended, and interim consolidated statements of changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the 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. 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*

27 December 2016  
Almaty

# Joint Stock Company Kazkommertsbank

## Interim Consolidated Statement Of Profit Or Loss For The Three And The Nine Months Ended 30 September 2016 (Unaudited)

	Notes	Three months ended 30 September 2016 (unaudited) (KZT million)	Three months ended 30 September 2015 (unaudited) (KZT million)	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
Interest income	4, 16	107,449	90,312	328,200	274,164
Interest expense	4, 16	(64,753)	(41,807)	(186,757)	(139,094)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>42,696</b>	<b>48,505</b>	<b>141,443</b>	<b>135,070</b>
Provision for impairment losses on interest bearing assets	5, 16	(7,688)	(20,710)	(23,186)	(118,768)
<b>NET INTEREST INCOME</b>		<b>35,008</b>	<b>27,795</b>	<b>118,257</b>	<b>16,302</b>
Net gain on financial assets and liabilities at fair value through profit or loss	6	6,118	30,681	17,906	11,495
Loss on write-off of financial assets and liabilities at fair value through profit or loss	11, 15	(16,810)	-	(16,810)	-
Net loss on foreign exchange and precious metals operations		(7,233)	(6,563)	(30,958)	(1,782)
Fee and commission income		12,702	12,366	35,153	35,580
Fee and commission expense		(5,779)	(4,086)	(15,907)	(13,356)
Net realized (loss)/gain on investments available-for-sale		(96)	(19)	990	162
Dividend income		461	12	813	1,280
Other income		3,463	1,204	12,677	4,932
<b>NET NON-INTEREST (EXPENSE)/INCOME</b>		<b>(7,174)</b>	<b>33,595</b>	<b>3,864</b>	<b>38,311</b>
<b>OPERATING EXPENSES</b>	7, 16	<b>(19,284)</b>	<b>(13,997)</b>	<b>(52,801)</b>	<b>(55,883)</b>
<b>PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS</b>		<b>8,550</b>	<b>47,393</b>	<b>69,320</b>	<b>(1,270)</b>
Provision for impairment losses on other transactions	16	(3,163)	(1,630)	(6,379)	(5,733)
Recovery of provision/(provision) for guarantees and other contingencies	16	8	(70)	1,545	464
Share of profits of associates		-	-	-	733
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>5,395</b>	<b>45,693</b>	<b>64,486</b>	<b>(5,806)</b>
Income tax expense	8	(4,689)	(11,198)	(20,565)	(14,476)
<b>NET PROFIT/(LOSS)</b>		<b>706</b>	<b>34,495</b>	<b>43,921</b>	<b>(20,282)</b>
Attributable to:					
Ordinary shareholders of the Parent		605	34,164	38,013	(17,120)
Preference shareholders of the Parent		101	-	5,907	-
Non-controlling interest		-	331	1	(3,162)
		<b>706</b>	<b>34,495</b>	<b>43,921</b>	<b>(20,282)</b>
<b>EARNINGS/(LOSS) PER SHARE Basic and diluted (KZT)</b>	9	<b>0.76</b>	<b>42.86</b>	<b>47.70</b>	<b>(22.27)</b>

On behalf of the Management Board of the Bank:

Iskandirov A.M.  
First Deputy Chief Executive Officer

27 December 2016  
Almaty

Salikhova N.M.  
Chief Accountant

27 December 2016  
Almaty

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

# Joint Stock Company Kazkommertsbank

## Interim Consolidated Statement Of Other Comprehensive Income For The Three And The Nine Months Ended 30 September 2016 (Unaudited)

	Three months ended 30 September 2016 (unaudited) (KZT million)	Three months ended 30 September 2015 (unaudited) (KZT million)	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	706	34,495	43,921	(20,282)
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Net (loss)/gain resulting on revaluation of property	(3)	(210)	8,319	1,095
Income tax	29	46	(1,594)	68
	26	(164)	6,725	1,163
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	332	4,050	161	6,736
Net (loss)/gain resulting on revaluation of available-for-sale investments	(271)	(1,716)	780	(803)
Reclassification adjustment relating to available-for-sale investments disposed of in the period	96	19	(990)	(162)
Net loss on cash flows hedges	(109)	(94)	(315)	(273)
Income tax	(39)	130	185	116
	9	2,389	(179)	5,614
<b>OTHER COMPREHENSIVE INCOME AFTER INCOME TAX</b>	35	2,225	6,546	6,777
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	741	36,720	50,467	(13,505)
Attributable to:				
Ordinary shareholders of the Parent	635	37,234	43,678	(12,486)
Preference shareholders of the Parent	106	(253)	6,788	-
Non-controlling interest	-	(261)	1	(1,019)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	741	36,720	50,467	(13,505)

On behalf of the Management Board of the Bank:

**Iskandrov A.M.**  
First Deputy Chief Executive Officer

27 December 2016  
Almaty

**Salikhova N.M.**  
Chief Accountant

27 December 2016  
Almaty

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

# Joint Stock Company Kazkommertsbank

## Interim Consolidated Statement Of Financial Position As At 30 September 2016 (Unaudited)

	Notes	30 September 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
<b>ASSETS:</b>			
Cash and balances with national (central) banks	10	224,595	123,908
Precious metals		4,010	3,908
Financial assets at fair value through profit or loss	11, 16	402,421	365,277
Loans and advances to banks and other financial institutions	16	151,338	296,677
Loans to customers	12, 16	3,861,683	3,829,736
Investments available-for-sale	16	19,877	34,544
Investments held to maturity		217,521	209,936
Investment property		11,696	8,709
Property, equipment and intangible assets		47,987	39,258
Deferred income tax assets	8	13,320	27,164
Other assets	16	103,287	102,153
Assets classified as held for sale		81,260	53,065
<b>TOTAL ASSETS</b>		<b>5,138,995</b>	<b>5,094,335</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Loans and advances from banks and other financial institutions	16	57,059	123,063
Customer accounts	13, 16	3,471,952	3,324,734
Financial liabilities at fair value through profit or loss	11	51,612	75,409
Debt securities issued	14	698,816	695,483
Other borrowed funds		81,036	101,595
Provisions		61,153	57,329
Deferred income tax liabilities	8	862	28,360
Dividends payable		1,257	1
Other liabilities		53,373	33,858
Subordinated debt		238,071	281,235
<b>Total liabilities</b>		<b>4,715,191</b>	<b>4,721,067</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the Parent:			
Share capital		234,593	234,520
Additional paid-in-capital		(6,405)	(6,405)
Property and equipment revaluation reserve		11,597	5,201
Other reserves		184,013	139,943
<b>Total equity attributable to equity holders of the Parent</b>		<b>423,798</b>	<b>373,259</b>
Non-controlling interest		6	9
<b>Total equity</b>		<b>423,804</b>	<b>373,268</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,138,995</b>	<b>5,094,335</b>

On behalf of the Management Board of the Bank:

**Iskandirov A.M.**  
First Deputy Chief Executive Officer

27 December 2016  
Almaty



**Salikhova N.M.**  
Chief Accountant

27 December 2016  
Almaty

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

# Joint Stock Company Kazkommertsbank

## Interim Consolidated Statement Of Changes In Equity For The Nine Months Ended 30 September 2016 (Unaudited)

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit <sup>1</sup>	Cumulative translation reserve <sup>1</sup>	Hedging reserve <sup>1</sup>	Retained earnings <sup>1</sup>	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>31 December 2014</b>	213,301	(52,356)	(6,405)	7,166	(1,649)	(3,220)	702	208,164	365,703	50,338	416,041
Net loss	-	-	-	-	-	-	-	(17,120)	(17,120)	(3,162)	(20,282)
Other comprehensive income/(loss)	-	-	-	740	(470)	4,582	(218)	-	4,634	2,143	6,777
Total comprehensive income/(loss)	-	-	-	740	(470)	4,582	(218)	(17,120)	(12,486)	(1,019)	(13,505)
Repurchase of treasury shares	-	(269)	-	-	-	-	-	-	(269)	-	(269)
Sale of treasury shares	-	290	-	-	-	-	-	-	290	-	290
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(2,555)	-	-	-	2,555	-	-	-
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	-	-	-	(1)	-	-	-	7,278	7,277	(7,386)	(109)
Effect of simultaneous transfer of assets and liabilities	-	-	-	-	-	-	-	(2,091)	(2,091)	2,091	-
Issue of ordinary share capital	73,510	-	-	-	-	-	-	-	73,510	-	73,510
<b>30 September 2015 (unaudited)</b>	286,811	(52,335)	(6,405)	5,350	(2,119)	1,362	484	159,225	392,373	1,076	393,449



## Joint Stock Company Kazkommertsbank

### Interim Consolidated Statement Of Changes In Equity (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit <sup>1</sup>	Cumulative translation reserve <sup>1</sup>	Hedging reserve <sup>1</sup>	Retained earnings <sup>1</sup>	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>31 December 2015</b>	286,811	(52,291)	(6,405)	5,201	(2,284)	(4,242)	405	146,064	373,259	9	373,268
Net profit	-	-	-	-	-	-	-	43,920	43,920	1	43,921
Other comprehensive income/(loss)	-	-	-	6,745	(88)	141	(252)	-	6,546	-	6,546
Total comprehensive income/(loss)	-	-	-	6,745	(88)	141	(252)	43,920	50,466	1	50,467
Repurchase of treasury shares	-	(129)	-	-	-	-	-	-	(129)	-	(129)
Sale of treasury shares	-	202	-	-	-	-	-	-	202	-	202
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(349)	-	-	-	349	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	-	(4)	(4)
<b>30 September 2016 (unaudited)</b>	286,811	(52,218)	(6,405)	11,597	(2,372)	(4,101)	153	190,333	423,798	6	423,804

<sup>1</sup>The 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:

**Iskandirov A.M.**  
First Deputy Chief Executive Officer

27 December 2016  
Almaty

**Salikhova N.M.**  
Chief Accountant

27 December 2016  
Almaty

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

# Joint Stock Company Kazkommertsbank

## Interim Consolidated Statement Of Cash Flows For The Nine Months Ended 30 September 2016 (Unaudited)

	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received on loans and advances to banks and other financial institutions	15,946	4,278
Interest received from financial assets at fair value through profit or loss	5,420	4,266
Interest received from loans to customers	105,939	90,545
Interest received from bonds of JSC National Welfare Fund Samruk-Kazyna	-	28,376
Interest received from investments available-for-sale	1,496	5,347
Interest received from investments held to maturity	12,979	717
Interest paid on loans and advances from banks and other financial institutions	(3,771)	(8,201)
Interest paid on customer accounts	(87,313)	(77,883)
Interest paid on debt securities issued	(34,852)	(19,392)
Interest paid on other borrowed funds	(2,549)	(2,063)
Interest paid on subordinated debt	(6,431)	(4,477)
Fee and commission received	36,192	37,472
Fee and commission paid	(15,783)	(13,294)
Other income received	11,066	9,125
Operating expenses paid	(50,069)	(58,257)
Cash outflow from operating activities before changes in operating assets and liabilities	(11,730)	(3,441)
Changes in operating assets and liabilities		
Decrease/(increase) in operating assets:		
Funds deposited with National Bank of Kazakhstan	6,009	(6,639)
Funds deposited with Central Bank of the Russian Federation	(2,119)	(1,627)
Funds deposited with National Bank of Tajikistan	50	(27)
Precious metals	(102)	(286)
Financial assets at fair value through profit or loss	(60,489)	(54,429)
Loans and advances to banks and other financial institutions	55,839	99,504
Loans to customers	38,144	(144,977)
Other assets	(18,870)	2,532
(Decrease)/increase in operating liabilities:		
Loans and advances from banks and other financial institutions	(67,950)	6,572
Customer accounts	135,831	112,661
Other liabilities	21,705	7,491
Cash inflow from operating activities before taxation	96,318	17,334
Income tax paid	(26,444)	(5,419)
Net cash inflow from operating activities	69,874	11,915

# JOINT STOCK COMPANY KAZKOMMERTSBANK

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, equipment and intangible assets	(3,536)	(10,161)
Proceeds on sale of property, equipment and intangible assets	718	5,906
Proceeds on sale of assets held for sale	19,624	-
Dividends received	813	1,280
Proceeds on sale of investments available-for-sale	56,179	38,529
Purchase of investments available-for-sale	(38,009)	(2,108)
Purchase of investment property	(2,930)	(1,614)
Proceeds from sale of investment property	52	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)
<b>Net cash inflow/(outflow) from Investing activities</b>	<b>38,110</b>	<b>(44,381)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issue of ordinary share capital	-	73,510
Repurchase of treasury shares	(129)	(269)
Sale of treasury shares	202	290
Proceeds from debt securities issued	-	94,424
Repurchase and repayment of debt securities issued	(7,958)	(3,177)
Repayment of bonds of JSC National Welfare Fund Samruk-Kazyna	-	32,250
Proceeds from other borrowed funds	1,778	3,163
Repayment of other borrowed funds	(24,405)	-
Repayment of subordinated debt	(52,294)	(12,496)
Payment of dividends	(1,290)	(773)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(84,096)</b>	<b>186,922</b>
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(677)</b>	<b>30,560</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>23,211</b>	<b>185,016</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period (Note 10)</b>	<b>268,426</b>	<b>305,538</b>
<b>CASH AND CASH EQUIVALENTS, end of period (Note 10)</b>	<b>291,637</b>	<b>490,554</b>

During the nine months ended 30 September 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 nine months ended 30 September 2015, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 35,033 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:

**Iskandirov A.M.**  
First Deputy Chief Executive Officer

27 December 2016  
Almaty



**Salikhova N.M.**  
Chief Accountant

27 December 2016  
Almaty

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

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information For The Nine Months Ended 30 September 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 September 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 nine months ended 30 September 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 September 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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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### **Shareholders**

As at 30 September 2016, the major shareholders of the Bank's ordinary shares have remained unchanged from those as at 30 June 2016. As at 30 September 2016, the ultimate controlling shareholder continues to be Mr Kenes Rakishev.

### **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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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

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

Loss on disposal of a subsidiary

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

Loss on disposal is reflected as loss from disposal of subsidiary in the consolidated statement of changes in equity.

As at 30 June 2015, investments in BTA were reclassified from investments to investments available-for-sale, due to loss of control and significant influence.

On 2 February 2016, the Bank completed the sale of 608,374,602,366 ordinary shares of BTA, representing 99.4187% of total ordinary shares of BTA. The shares of BTA have been sold to the following shareholders of KKB: Mr. Kenes Rakishev: 299,211,380,223 shares (or 49.18% of BTA shares sold); Mr. Nurzhan Subkhanberdin: 299,211,380,223 shares (or 49.18% of BTA shares sold); Minority shareholders of KKB: 9,951,841,920 shares (or 1.64% of BTA shares sold). Upon the sale of BTA shares, KKB ceased to be a shareholder of BTA. Ordinary shares of BTA had been sold in accordance with and based on the offer made to shareholders of KKB with the sale price of KZT 0.00001 per ordinary share.

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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### 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 nine months ended 30 September 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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

### 4. Net Interest Income

	Three months ended 30 September 2016 (unaudited) (KZT million)	Three months ended 30 September 2015 (unaudited) (KZT million)	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
<b>Interest income comprise:</b>				
Interest income on financial assets recorded at amortized cost:				
- interest income on collectively assessed impaired financial assets	6,306	3,191	13,510	10,779
- interest income on financial assets that have been assessed individually for impairment	16,647	18,980	34,628	53,969
- interest income on financial assets that are not impaired including collectively not impaired loans	76,056	65,863	261,088	142,440
Interest income on financial assets at fair value through profit or loss	7,865	1,612	15,481	4,274
Interest income on investments available-for-sale	575	646	3,493	4,435
Discount on customer accounts	-	20	-	58,267
<b>Total interest income</b>	<b>107,449</b>	<b>90,312</b>	<b>328,200</b>	<b>274,164</b>
Interest income on financial assets recorded at amortized cost comprise:				
Interest on loans to customers	90,878	83,913	282,659	182,253
Interest on loans and advances to banks and other financial institutions	3,952	3,660	14,468	8,960
Interest on investments held to maturity	4,179	447	12,099	1,047
Interest income on bonds of JSC National Welfare Fund Samruk-Kazyna	-	14	-	14,928
Total interest income on financial assets recorded at amortized cost	99,009	88,034	309,226	207,188
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	7,865	1,612	15,481	4,274
Total interest income on financial assets at fair value through profit or loss	7,865	1,612	15,481	4,274
Interest income on investments available-for-sale	575	646	3,493	4,435
Discount on customer accounts	-	20	-	58,267
<b>Total interest income</b>	<b>107,449</b>	<b>90,312</b>	<b>328,200</b>	<b>274,164</b>
<b>Interest expense comprise:</b>				
Interest expense on financial liabilities recorded at amortized cost	64,753	41,807	186,757	139,094
<b>Total interest expense</b>	<b>64,753</b>	<b>41,807</b>	<b>186,757</b>	<b>139,094</b>
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest on customer accounts	42,015	25,856	116,210	69,482
Interest on debt securities issued	15,494	12,478	46,659	32,661
Interest on subordinated debt	4,949	1,643	15,459	6,062
Interest on loans and advances from banks and other financial institutions	536	1,137	2,530	23,602
Preference share dividends	409	252	1,285	715
Other interest expense	1,350	441	4,614	6,572
Total interest expense on financial liabilities recorded at amortized cost	64,753	41,807	186,757	139,094
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>42,696</b>	<b>48,505</b>	<b>141,443</b>	<b>135,070</b>



# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

### 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)
<b>30 June 2015 (unaudited)</b>	-	207,744	2,906	210,650
Additional provision/(recovery of provision)	21	20,804	(115)	20,710
Write-off of assets	-	(86,440)	-	(86,440)
Recovery of previously written-off assets	-	1,374	-	1,374
Foreign exchange differences	-	25,906	-	25,906
Recovery of impaired loans	-	13,143	-	13,143
Recalssification of assets	-	(94)	25	(69)
Disposal of subsidiary	(21)	21	-	-
<b>30 September 2015 (unaudited)</b>	-	182,458	2,816	185,274
<b>30 June 2016 (unaudited)</b>	-	265,337	228	265,565
Additional provision/(recovery of provision)	197	7,499	(8)	7,688
Write-off of assets	-	(2,541)	-	(2,541)
Gross up effect (Note 12)	-	272,950	-	272,950
Recovery of previously written-off assets	-	13,253	-	13,253
Foreign exchange differences	(3)	(2,188)	-	(2,191)
<b>30 September 2016 (unaudited)</b>	194	554,310	220	554,724
<b>31 December 2014</b>	-	508,276	144	508,420
Additional provision/(recovery of provision)	59	119,011	(302)	118,768
Write-off of assets	-	(191,602)	(10)	(191,612)
Recovery of previously written-off assets	-	3,931	-	3,931
Foreign exchange differences	-	32,886	-	32,886
Recovery of impaired loans	-	48,677	-	48,677
Recalssification of assets	-	239	209	448
Integration with JSC BTA Bank	-	(283,397)	2,772	(280,625)
Disposal of subsidiary	(59)	(55,563)	3	(55,619)
<b>30 September 2015 (unaudited)</b>	-	182,458	2,816	185,274
<b>31 December 2015</b>	99	314,442	60	314,601
Additional provision	110	23,075	1	23,186
Write-off of assets	-	(91,595)	-	(91,595)
Recovery of previously written-off assets	-	33,298	159	33,457
Gross up effect (Note 12)	-	272,950	-	272,950
Foreign exchange differences	(15)	2,140	-	2,125
<b>30 September 2016 (unaudited)</b>	194	554,310	220	554,724

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

### 6. Net Gain On Financial Assets And Liabilities At Fair Value Through Profit Or Loss

	Three months ended 30 September 2016 (unaudited) (KZT million)	Three months ended 30 September 2015 (unaudited) (KZT million)	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
Net gain on financial assets and liabilities at fair value through profit or loss comprises:				
Realized gain/(loss) on trading operations	1,230	4	3,381	(184)
Unrealized gain/(loss) on fair value adjustment	3,493	(11,182)	3,647	(17,127)
Net gain on operations with derivative financial instruments	1,395	41,859	10,878	28,806
<b>Net gain on financial assets and liabilities at fair value through profit or loss</b>	<b>6,118</b>	<b>30,681</b>	<b>17,906</b>	<b>11,495</b>

### 7. Operating Expenses

	Three months ended 30 September 2016 (unaudited) (KZT million)	Three months ended 30 September 2015 (unaudited) (KZT million)	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
Staff costs	10,789	7,063	30,202	23,365
Property and equipment maintenance	976	984	3,000	3,473
Depreciation and amortization	893	859	2,732	2,893
Taxes, other than income tax	1,004	587	2,464	3,510
Operating lease	757	793	2,333	2,562
Legal and consulting services	1,174	197	1,959	7,926
Bank card services	556	269	1,354	797
Security	432	351	1,221	1,115
Advertising costs	302	209	967	765
Expenses on assets received	262	168	961	1,450
Communications costs	276	277	689	889
Business trip expenses	111	101	415	439
Collector services	125	105	357	280
Vehicle maintenance	99	91	298	269
Collection	27	24	85	274
Fines, penalties	17	406	58	473
Other expenses	1,484	1,513	3,706	5,403
	<b>19,284</b>	<b>13,997</b>	<b>52,801</b>	<b>55,883</b>

### 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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>30 September 2015 (KZT million)</b>
<b>Deferred income tax assets:</b>		
Unrealised loss on trading securities and derivatives	12,485	8,677
Tax losses carried forward on trading securities and derivatives	3,270	3,192
Accrued bonuses	1,546	1,198
Allowance for impairment losses on loans and advances to banks and customers	741	13,926
Tax losses carried forward	13	26
Provision on guarantees and letters of credit	-	373
Property, equipment and intangible assets, accumulated depreciation	-	14
Other assets	-	131
<b>Total deferred income tax assets</b>	<b>18,055</b>	<b>27,537</b>
<b>Deferred income tax liabilities:</b>		
Property, equipment and intangible assets, accumulated depreciation	(4,665)	(2,921)
Unrealised gain on trading securities and derivatives	(633)	(24,651)
Unrealized gain on revaluation of financial instruments, recognized on cash flow hedges	(38)	(101)
Other liabilities	(261)	(1,060)
<b>Total deferred income tax liabilities</b>	<b>(5,597)</b>	<b>(28,733)</b>
<b>Net deferred income tax assets/(liabilities)</b>	<b>12,458</b>	<b>(1,196)</b>

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>30 September 2015 (KZT million)</b>
Deferred income tax assets	13,320	27,164
Deferred income tax liabilities	(862)	(28,360)
<b>Net deferred income tax assets/(liabilities)</b>	<b>12,458</b>	<b>(1,196)</b>

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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

	<b>Three months ended 30 September 2016 (unaudited) (KZT million)</b>	<b>Three months ended 30 September 2015 (unaudited) (KZT million)</b>	<b>Nine months ended 30 September 2016 (unaudited) (KZT million)</b>	<b>Nine months ended 30 September 2015 (unaudited) (KZT million)</b>
Profit/(loss) before income tax	5,395	45,693	64,486	(5,806)
Tax at the statutory tax rate (20%)	1,079	9,139	12,897	(1,161)
Tax effect of permanent differences:				
- tax exempt income	(2,178)	(159)	(8,364)	(2,992)
- (non-taxable income on recovery of provision on loans)/non-deductible expense on write off loans	(630)	(9,578)	2,672	(17,596)
- other non-deductible expense	6,416	11,796	9,768	36,225
Adjustments of deferred income tax for prior years	-	-	3,480	-
Adjustments of current income tax for prior years	2	-	112	-
<b>Income tax expense</b>	<b>4,689</b>	<b>11,198</b>	<b>20,565</b>	<b>14,476</b>
Current income tax (benefit)/expense	(637)	(2,696)	35,620	5,239
Adjustments of deferred income tax for prior years	-	-	3,480	-
Deferred income tax expense/(benefit)	5,326	13,894	(18,535)	9,237
<b>Income tax expense</b>	<b>4,689</b>	<b>11,198</b>	<b>20,565</b>	<b>14,476</b>

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

	<b>Nine months ended 30 September 2016 (unaudited) (KZT million)</b>	<b>Year ended 31 December 2015 (KZT million)</b>
<b>Deferred income tax liabilities/(assets)</b>		
As at beginning of the period	1,196	(6,022)
Deferred income tax (benefit)/expense recognized in statement of profit or loss	(15,055)	7,643
Change in investments available-for-sale reserve	(122)	(132)
Change in hedging reserve	(63)	(74)
Change in deferred tax liability from revaluation of property and equipment	1,594	(74)
Other	(8)	(145)
<b>As at end of the period</b>	<b>(12,458)</b>	<b>1,196</b>

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

### 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 September 2016 (unaudited) (KZT million)	Three months ended 30 September 2015 (unaudited) (KZT million)	Nine months ended 30 September 2016 (unaudited) (KZT million)	Nine months ended 30 September 2015 (unaudited) (KZT million)
<b>Basic and diluted earnings/(loss) per share</b>				
Net profit/(loss) attributable to equity holders of the Parent	706	34,164	43,920	(17,120)
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(101)	-	(5,907)	-
Net profit/(loss) attributable to ordinary shareholders	605	34,164	38,013	(17,120)
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share	796,953,897	797,110,915	796,924,613	768,595,725
<b>Earnings/(loss) per share – basic and diluted (KZT)</b>	<b>0.76</b>	<b>42.86</b>	<b>47.70</b>	<b>(22.27)</b>

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

Type of shares	30 September 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	796,941,640	414,871	520.58	796,936,282	364,138	456.92
Preference shares	124,133,435	22,830	183.92	123,160,124	21,729	176.43
		437,701			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.

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

### 10. Cash And Balances With National (Central) Banks

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
Cash on hand	95,660	96,702
Balances with the national (central) banks	128,935	27,206
	<b>224,595</b>	<b>123,908</b>

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

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>	<b>30 September 2015 (unaudited) (KZT million)</b>
Cash and balances with national (central) banks	224,595	123,908	311,318
Loans and advances to banks with original maturities less than 3 months	122,560	212,611	188,534
REPO with banks with original maturity of less than 3 months	9,231	596	51,077
Less funds deposited with the National Bank of Kazakhstan	(59,296)	(65,305)	(57,207)
Less funds deposited with the Central Bank of the Russian Federation	(4,953)	(2,834)	(3,000)
Less funds deposited with the National Bank of Tajikistan	(500)	(550)	(168)
	<b>291,637</b>	<b>268,426</b>	<b>490,554</b>

### 11. Financial Assets And Liabilities At Fair Value Through Profit Or Loss

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
<b>Financial assets at fair value through profit or loss:</b>		
Debt securities	351,368	100,866
Equity investments	35,120	53,925
Derivative financial instruments	15,933	210,486
Total financial assets at fair value through profit or loss	<b>402,421</b>	<b>365,277</b>

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
<b>Financial liabilities at fair value through profit or loss:</b>		
Derivative financial instruments	51,612	75,409
Total financial liabilities at fair value through profit or loss	<b>51,612</b>	<b>75,409</b>

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

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

	30 September 2016 (unaudited)		31 December 2015	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
<b>Debt securities:</b>				
Short-term NBK notes	-	287,336	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.48-8.20	49,252	3.30-8.75	60,385
Bonds of Kazakhstani banks	7.00-11.00	3,030	4.90-11.00	10,720
Bonds of Kazakhstani companies	7.50-14.90	2,655	7.50-10.00	2,345
Eurobonds of Kazakhstani banks	6.70-7.25	2,508	6.38-9.00	3,333
Bonds of Development Bank of Kazakhstan	6.00-6.50	2,397	6.00-6.50	2,194
Municipal bonds of the Russian Federation	12.40	1,991	13.26	1,743
Eurobonds of Kazakhstani companies	4.63-6.95	1,737	4.63-6.95	3,417
Bonds of Russian companies	13.50	462	10.75	373
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	4.88-6.50	15,928
Bonds of Russian banks	-	-	7.90	374
Bonds of international financial organizations, foreign banks and foreign financial organizations	-	-	4.77-13.78	54
		351,368		100,866

	30 September 2016 (unaudited)		31 December 2015	
	Ownership share %	Amount (KZT million)	Ownership share %	Amount (KZT million)
<b>Equity investments:</b>				
GDRs of Kazakhstani companies	0.00-2.16	23,369	0.00-2.14	22,634
Shares of Kazakhstani companies	0.00-4.38	6,008	0.00-3.72	4,295
GDRs of Kazakhstani banks	0.00-0.93	5,432	-	-
Shares of Kazakhstani banks	0.00-0.82	311	0.00-0.82	304
Shares of foreign banks	-	-	10.91	24,714
Shares of foreign companies	-	-	0.00-0.57	1,978
		35,120		53,925

During the 9 months ended 30 September 2016, the Group recognised a loss from the write-off of 9.43% of Sekerbank shares in the amount of KZT 16,810 million according to an Istanbul court decision in favour of TurkiyeVakiflarBank T.A.O. (Turkey) (Note 15). The Group also recognised a loss on the remaining 1.48% of Sekerbank shares belonging to it as at 30 September 2016 of KZT 2,770 million as a result of a revaluation of the shares in question to zero due to them having been placed under arrest and the continuing court case.

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

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

	Notional amount	30 September 2016 (unaudited) Fair value (KZT million)		Notional amount	31 December 2015 Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
<b>Derivative financial instruments:</b>						
<i>Foreign exchange contracts:</i>						
Swaps	378,130	15,933	(45,742)	603,059	210,464	(61,578)
Spot	3,042	-	(12)	6,175	21	(27)
Forwards	-	-	-	105	1	-
<i>Interest rate contracts:</i>						
Swaps	3,093	-	(251)	4,625	-	(408)
<i>Other:</i>						
Forward on securities	13,126	-	(5,607)	13,698	-	(13,396)
		15,933	(51,612)		210,486	(75,409)

As at 30 September 2016, despite the write-off of 9.43% of Sekerbank T.A.S shares of KZT 16,810 million, the Group continued to recognise the forward financial liability with Samruk-Kazyna. As at 30 September 2016, the value of the forward financial liability of KZT 5,607 million was treated as the difference between the fair value of the Sekerbank T.A.S shares and their selling value, according to an agreement with Samruk-Kazyna (31 December 2015: KZT 13,396 million).

## 12. Loans To Customers

	30 September 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
<b>Recorded as loans and receivables:</b>		
Loans to customers	4,412,476	4,140,641
Net investments in finance lease	3,517	3,537
	4,415,993	4,144,178
Less: allowance for impairment losses	(554,310)	(314,442)
	3,861,683	3,829,736

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

In 2015, the Bank acquired certain loans in the course of the business combination with JSC BTA Bank. Due to the limitations of the banking system, management decided to disclose these loans and related provisions on gross basis starting from 30 September 2016. This disclosure does not affect the net book value of loans provided in the statement of financial position.



# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
<b>Analysis by type of collateral:</b>		
Loans collateralized by pledge of accounts receivable	2,449,009	2,338,089
Loans collateralized by pledge of real estate and land	570,335	671,016
Loans collateralized by pledge of equipment	229,249	178,674
Loans collateralized by pledge of inventories	215,819	192,450
Loans collateralized by shares	77,533	33,985
Loans collateralized by financial institutions guarantees	70,738	57,751
Loans collateralized by pledge at development stage (real estate, land, shares, guarantees, other)	37,416	71,626
Loans collateralized by mixed collateral types	29,313	35,490
Loans collateralized by cash or guarantees of the Government of the Republic of Kazakhstan	21,444	30,001
Loans collateralized by corporate guarantees	16,510	19,916
Unsecured loans	144,317	200,738
	<b>3,861,683</b>	<b>3,829,736</b>

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.

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
<b>Analysis by sector:</b>		
Investments and finance	2,464,506	2,389,208
Individuals	304,573	353,717
Real estate	218,258	202,725
Housing construction	174,647	203,720
Agriculture	106,984	19,049
Wholesale and retail trade	93,760	140,148
Commercial real estate construction	85,187	58,450
Industrial and other construction	81,241	85,588
Energy	77,806	58,273
Transport and communication	47,794	41,345
Food industry	41,511	31,233
Mining and metallurgy	41,177	44,282
Hospitality business	30,038	84,890
Machinery construction	10,485	22,423
Production of construction materials	10,208	8,457
Medicine	8,238	5,864
Production of other non-metal materials	1,366	2,052
Other	63,904	78,312
	<b>3,861,683</b>	<b>3,829,736</b>

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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During the nine months ended 30 September 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 September 2016, such assets in the amount of KZT 72,897 million (31 December 2015: KZT 44,901 million) are included in assets classified as held for sale in the interim condensed consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions. In addition, as at 30 September 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 September 2016, such assets in the amount of KZT 8,363 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 September 2016, the Group granted loans to the borrowers, which individually exceeded 10% of the Group's equity, in the total amount of KZT 2,541,882 million (31 December 2015: KZT 2,447,520 million).

As at 30 September 2016, 94.21% of the total loan portfolio (31 December 2015: 92.59%) 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

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
<b>Recorded at amortized cost:</b>		
Time deposits	2,843,036	2,617,235
Demand deposits	624,906	703,619
Accounts in precious metals	4,010	3,880
	<hr/> 3,471,952	<hr/> 3,324,734

As at 30 September 2016, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 49,721 million (31 December 2015: KZT 55,215 million).

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

	30 September 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
<b>Analysis by sector:</b>		
Individuals	1,466,103	1,470,221
Government related entities	472,226	428,250
Public organizations and unions	416,951	402,603
Chemical and petrochemical industry	337,609	215,145
Investments and finance	169,334	179,595
Construction	154,090	121,211
Wholesale and retail trade	96,030	83,517
Individual services	80,141	75,391
Mining and metallurgy	63,894	55,801
Transport and communication	57,116	93,373
Education	54,264	90,226
Agriculture	23,159	11,972
Distribution of electricity, gas and water	13,977	17,408
Other	67,058	80,021
	3,471,952	3,324,734

## 14. Debt Securities Issued

	Currency	Maturity date	Annual coupon rate %	30 September 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)
<b>Recorded at amortized cost:</b>					
Eurobonds:					
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	139,278	138,384
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	99,793	101,039
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	93,208	97,646
				332,279	337,069
(Less)/including:					
Discount on Eurobonds issued				(610)	(1,128)
Accrued interest on Eurobonds issued				11,642	10,165
<b>Total issued Eurobonds</b>				343,311	346,106
Debt securities previously issued by JSC BTA Bank at the price 100.00%	USD	December 2022	5.50	188,720	180,365
Debt securities issued of JSC Kazkommertsbank at the price 99.95%	KZT	January 2022	8.75	99,272	101,372
Debt securities issued of JSC Kazkommertsbank at the price 99.97%	KZT	November 2019	8.40	64,286	60,509
Issued bonds of Moscow Stars B.V. at the price of 99.00%	USD	December 2020	5.77	2,713	4,231
Issued promissory notes of OJSC Moskommertsbank	USD, RUR	March 2017	4.50-12.00	514	518
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%	KZT	April 2016	9.00	-	2,382
				698,816	695,483

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

As at 30 September 2016, the nominal value of debt securities previously issued by JSC BTA Bank amounted to KZT 250,901 million, while discount and accrued interest expense amounted to KZT 65,631 million and KZT 3,450 million, respectively.

During the nine months ended 30 September 2016, the Group repurchased debt securities issued in the total amount of KZT 5,872 million (during the year ended 31 December 2015: KZT 3,287 million).

During the nine months ended 30 September 2016, the Group sold debt securities issued in the total amount of KZT 4,787 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 September 2016, the provision for losses on guarantees and other contingencies amounted to KZT 4,306 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 September 2016, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 115,698 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 September 2016 and 31 December 2015, the nominal or contract amounts and risk-weighted amounts were:

	<b>30 September 2016 (unaudited) (KZT million)</b>	<b>31 December 2015 (KZT million)</b>
<b>Contingent liabilities and credit commitments:</b>		
Guarantees issued and similar commitments	134,400	130,047
Letters of credit and other transaction related to contingent obligations	45,977	53,815
Commitments on loans and unused credit lines (irrevocable)	19,206	15,667
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	17	18
<b>Total contingent liabilities and credit commitments</b>	<b>199,600</b>	<b>199,547</b>
Less collateral in cash*	(58,330)	(90,598)
Less provision for guarantees and other contingencies	(4,306)	(5,894)
<b>Total contingent liabilities and credit commitments, net</b>	<b>136,964</b>	<b>103,055</b>
<b>Total risk-weighted amount</b>	<b>127,056</b>	<b>138,780</b>

\* Of these included in customer accounts: KZT 49,721 million, as other borrowed funds KZT 8,609 million (31 December 2015: KZT 55,215 million and KZT 35,383 million respectively).

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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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 September 2016, the amount of contingent liabilities on unused revocable credit lines equals to KZT 242,703 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 17,083,367.22 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, 9.43% 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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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On 29 June 2016, a letter was sent to legal advisors 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.

In accordance with the official notification of the 14th Directorate for the Execution of Istanbul Court Decisions, which refers to the entry into force of trade sessions, 9.43% of share previously belonging to BTA Securities had to be reissued to Sekerbank T.A.S, as a result of which on 19 August 2016, the shares were written off. The Group recognised the relevant losses in its interim consolidated statement of profit or loss for the 9 months ended 30 September 2016 (Note 11).

### 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. In November 2016, the NBRK lowered its base rate from 13% to 12%. Stabilization of the oil price in the third quarter of 2016 led to the decline of this rate.

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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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 September 2016 (unaudited) (KZT million) Total category as per financial statements caption		31 December 2015 (KZT million) Total category as per financial statements caption	
	Related party balances		Related party balances	
<b>Financial assets at fair value through profit or loss</b>	-	402,421	10,783	365,277
- other related parties	-		10,783	
<b>Loans and advances to banks and other financial institutions</b>	7,062	151,338	-	296,677
- other related parties	7,062		-	
<b>Loans to customers, before allowance for impairment losses on loans</b>	2,507,593	4,415,993	2,376,155	4,144,178
- key management personnel of the entity or its parent	3,561		5	
- other related parties	2,504,032		2,376,150	
<b>Allowance for impairment losses on loans</b>	(53,987)	(554,310)	(41,927)	(314,442)
- key management personnel of the entity or its parent	(159)		-	
- other related parties	(53,828)		(41,927)	
<b>Investments available-for-sale</b>	-	19,877	174	34,544
- other related parties	-		174	
<b>Other assets</b>	71	103,287	-	102,153
- other related parties	71		-	
<b>Loans and advances from banks and other financial institutions</b>	196	57,059	1	123,063
- other related parties	196		1	
<b>Customer accounts</b>	13,276	3,471,952	49,085	3,324,734
- parent company	26		127	
- entities with joint control or significant influence over the entity	4		-	
- key management personnel of the entity or its parent	5,726		3,353	
- other related parties	7,520		45,605	
<b>Guarantees issued and similar commitments</b>	6,815	155,767	6,810	130,047
- other related parties	6,815		6,810	
<b>Letters of credit and other transaction related to contingent obligations</b>	-	45,977	17	53,815
- other related parties	-		17	
<b>Commitments on loans and unused credit lines (irrevocable)</b>	209	19,206	112	15,667
- key management personnel of the entity or its parent	209		112	

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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

	For the nine months ended 30 September 2016 (unaudited) (KZT million)		For the nine months ended 30 September 2015 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
<b>Interest income</b>	169,774	328,200	40,131	274,164
- entities with joint control or significant influence over the entity	-		12	
- key management personnel of the entity or its parent	1		1	
- other related parties	169,773		40,118	
<b>Interest expense</b>	(55)	(186,757)	(152)	(139,094)
- parent company	-		(3)	
- key management personnel of the entity or its parent	(55)		(125)	
- entities with joint control or significant influence over the entity	-		(19)	
- other related parties	-		(5)	
<b>Operating expenses</b>	(3,450)	(52,801)	(258)	(55,883)
- short-term employee benefits	(3,450)	(30,202)	(258)	(23,365)
<b>Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies</b>	(17,950)	(28,020)	(26,913)	(124,037)
- key management personnel of the entity or its parent	-		(3)	
- other related parties	(17,950)		(26,910)	

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

As at 30 September 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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the nine months ended 30 September 2016 (unaudited) (KZT million)
	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
External interest income	38,238	244,428	44,989	545	-	-	328,200
Internal interest income	75,358	54,378	236,240	-	-	(365,976)	-
External interest expenses	(45,308)	(51,710)	(89,362)	-	-	(377)	(186,757)
Internal interest expenses	(20,160)	(198,314)	(147,502)	-	-	365,976	-
Net interest income before recovery of provision/(provision) for impairment losses on interest bearing assets	48,128	48,782	44,365	545	-	(377)	141,443
Recovery of provision/(provision) for impairment losses on interest bearing assets	26,297	(49,569)	87	(1)	-	-	(23,186)
<b>NET INTEREST INCOME</b>	<b>74,425</b>	<b>(787)</b>	<b>44,452</b>	<b>544</b>	<b>-</b>	<b>(377)</b>	<b>118,257</b>
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	17,906	-	-	-	17,906
Loss on write-off of financial assets and liabilities at fair value through profit or loss	-	-	(16,810)	-	-	-	(16,810)
Net (loss)/gain on foreign exchange and precious metals operations	(559)	(42)	(30,361)	4	-	-	(30,958)
Fee and commission income	24,417	10,426	310	-	-	-	35,153
Fee and commission expense	(13,799)	(1,057)	(664)	(387)	-	-	(15,907)
Net realized gain on investments available-for-sale	-	-	14	976	-	-	990
Dividend income	-	-	813	-	-	-	813
Other income	924	1,980	2,210	7,563	-	-	12,677
<b>NET NON-INTEREST INCOME/(EXPENSES)</b>	<b>10,983</b>	<b>11,307</b>	<b>(26,582)</b>	<b>8,156</b>	<b>-</b>	<b>-</b>	<b>3,864</b>
<b>OPERATING EXPENSES</b>	<b>(27,040)</b>	<b>(18,372)</b>	<b>(1,855)</b>	<b>(5,534)</b>	<b>-</b>	<b>-</b>	<b>(52,801)</b>
<b>PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS</b>	<b>58,368</b>	<b>(7,852)</b>	<b>16,015</b>	<b>3,166</b>	<b>-</b>	<b>(377)</b>	<b>69,320</b>
Provision for impairment losses on other transactions	-	(4,655)	-	(1,723)	-	(1)	(6,379)
Recovery of provision for guarantees and other contingencies	-	1,544	-	-	-	1	1,545
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>58,368</b>	<b>(10,963)</b>	<b>16,015</b>	<b>1,443</b>	<b>-</b>	<b>(377)</b>	<b>64,486</b>
Segment assets	357,866	3,735,993	1,100,568	91,738	2,752	(149,922)	5,138,995
Segment liabilities	1,473,229	2,129,585	1,190,516	66,891	20,413	(165,443)	4,715,191

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## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	For the nine months ended 30 September 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	48,079	191,010	34,301	774	-	-	274,164
Internal interest income	46,781	33,782	170,042	-	-	(250,605)	-
External interest expenses	(29,595)	(49,045)	(60,448)	(6)	-	-	(139,094)
Internal interest expenses	(28,355)	(124,441)	(97,810)	-	-	250,606	-
Net interest income before (provision)/recovery of provision for impairment losses on interest bearing assets	36,910	51,306	46,085	768	-	1	135,070
(Provision)/recovery of provision for impairment losses on interest bearing assets	(29,274)	(89,805)	(21)	332	-	-	(118,768)
<b>NET INTEREST INCOME/(LOSS)</b>	<b>7,636</b>	<b>(38,499)</b>	<b>46,064</b>	<b>1,100</b>	<b>-</b>	<b>1</b>	<b>16,302</b>
Net (loss)/gain on financial assets and liabilities at fair value though profit or loss	-	(1,894)	13,630	(241)	-	-	11,495
Net gain/(loss) on foreign exchange and precious metals operations	1,265	(9,779)	6,661	71	-	-	(1,782)
Fee and commission income	20,815	11,085	1,543	2,137	-	-	35,580
Fee and commission expense	(10,290)	(2,089)	(830)	(147)	-	-	(13,356)
Net realized gain on investments available-for-sale	-	-	162	-	-	-	162
Dividend income	-	-	1,280	-	-	-	1,280
Other income	190	5,162	1,355	(1,775)	-	-	4,932
<b>NET NON-INTEREST INCOME/(EXPENSES)</b>	<b>11,980</b>	<b>2,485</b>	<b>23,801</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>38,311</b>
<b>OPERATING EXPENSES</b>	<b>(22,588)</b>	<b>(30,573)</b>	<b>(827)</b>	<b>(1,895)</b>	<b>-</b>	<b>-</b>	<b>(55,883)</b>
<b>(LOSS)/PROFIT BEFORE OTHER OPERATING PROVISIONS</b>	<b>(2,972)</b>	<b>(66,587)</b>	<b>69,038</b>	<b>(750)</b>	<b>-</b>	<b>1</b>	<b>(1,270)</b>
Recovery of provision/(provision) for impairment losses on other transactions	36	(2,738)	(15)	(3,016)	-	-	(5,733)
Recovery of provision for guarantees and other contingencies	-	464	-	-	-	-	464
Share of profits of associates	-	-	733	-	-	-	733
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>	<b>(2,936)</b>	<b>(68,861)</b>	<b>69,756</b>	<b>(3,766)</b>	<b>-</b>	<b>1</b>	<b>(5,806)</b>
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.

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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### 18. Fair Value Of Financial Instruments

IFRS 13 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).

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## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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 September 2016 (unaudited) (KZT million)	31 December 2015 (KZT million)				
1) Derivative financial assets (Note 11)	10,686	14,720	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Derivative financial assets (Note 11)	5,247	195,766	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated.
3) Non-derivative financial assets at fair value through profit or loss (Note 11)						
Debt securities	351,368	100,866	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments	35,120	53,925	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Investments available-for-sale	19,846	34,513	Level 1	Quoted bid prices in an active market.	N/A	N/A
5) Investments available-for-sale	31	31	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.	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)	46,049	69,956	Level 2	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
7) Derivative financial liabilities (Note 11)	5,563	5,453	Level 3	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.	KZT implied rate	Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated

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## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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

		Level 1	Level 2	Level 3	30 September 2016 Total
		(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)	(unaudited) (KZT million)
<b>Financial assets:</b>					
Trading assets	Debt securities	351,368	-	-	351,368
	Equity investments	35,120	-	-	35,120
Derivative financial instruments	Foreign exchange and interest rate contracts	-	10,686	5,247	15,933
Investments available-for-sale	Debt securities	17,578	-	-	17,578
	Equity investments	2,268	-	31	2,299
<b>Total</b>		<b>406,334</b>	<b>10,686</b>	<b>5,278</b>	<b>422,298</b>
<b>Financial liabilities:</b>					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	46,049	5,563	51,612
<b>Total</b>		<b>-</b>	<b>46,049</b>	<b>5,563</b>	<b>51,612</b>
		Level 1	Level 2	Level 3	31 December 2015 Total
		(KZT million)	(KZT million)	(KZT million)	(KZT million)
<b>Financial assets:</b>					
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	1,370	-	31	1,401
<b>Total</b>		<b>189,304</b>	<b>14,720</b>	<b>195,797</b>	<b>399,821</b>
<b>Financial liabilities:</b>					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	69,956	5,453	75,409
<b>Total</b>		<b>-</b>	<b>69,956</b>	<b>5,453</b>	<b>75,409</b>

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

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## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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 nine months ended 30 September 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)
<b>31 December 2014</b>	81	6,639	-	6,720
Additions	-	827	84	911
<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)
<b>31 December 2015</b>	-	195,766	31	195,797
Additions	-	3,969	-	3,969
<i>Total gains or (losses)</i>				
- to profit or loss	-	26,120	-	26,120
Redemption	-	(220,608)	-	(220,608)
<b>30 September 2016 (unaudited)</b>	-	5,247	31	5,278

  

	Financial liabilities at fair value through profit or loss	Total
	Derivative financial instruments (KZT million)	(KZT million)
<b>31 December 2014</b>	-	-
Additions	-	-
<i>Total gains or (losses)</i>		
- to profit or loss	5,504	5,504
Redemption	(51)	(51)
<b>31 December 2015</b>	5,453	5,453
Additions		
<i>Total gains or (losses)</i>		
- to profit or loss	26,512	26,512
Redemption	(26,402)	(26,402)
<b>30 September 2016 (unaudited)</b>	5,563	5,563

As at 30 September 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 (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

### 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 September 2016 (unaudited)		31 December 2015	
	Carrying amount	Fair value (KZT million)	Carrying Amount	Fair value (KZT million)
<b>Financial assets:</b>				
Loans to customers	3,861,683	3,853,778	3,829,736	3,853,164
Investments held to maturity	217,521	214,913	209,936	208,611
<b>Financial liabilities:</b>				
Customer accounts	3,471,952	3,478,175	3,324,734	3,328,690
Debt securities issued	698,816	682,441	695,483	690,614
Other borrowed funds	81,036	53,714	101,595	74,265
Subordinated debt	238,071	227,260	281,235	269,296

	30 September 2016 (unaudited)			Total (KZT million)
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	
<b>Financial assets:</b>				
Loans to customers	-	-	3,853,778	3,853,778
Investments held to maturity	214,913	-	-	214,913
<b>Financial liabilities:</b>				
Customer accounts	-	3,478,175	-	3,478,175
Debt securities issued	682,441	-	-	682,441
Other borrowed funds	-	53,714	-	53,714
Subordinated debt	227,260	-	-	227,260

# Joint Stock Company Kazkommertsbank

## Selected Explanatory Notes To The Interim Condensed Consolidated Financial Information (Continued) For The Nine Months Ended 30 September 2016 (Unaudited)

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	31 December 2015			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
<b>Financial assets:</b>				
Loans to customers	-	-	3,853,164	3,853,164
Investments held to maturity	208,611	-	-	208,611
<b>Financial liabilities:</b>				
Customer accounts	-	3,328,690	-	3,328,690
Debt securities issued	690,614	-	-	690,614
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 6 October 2016, the Bank sold 100% of ownership interest in LLP Processing Company on the basis of a sale contract, approved by the Board of Directors decision on 5 October 2016.

On 29 November 2016, the Bank repaid debt securities, issued in November 2006, for the original amount of USD 500 million. The bonds were repaid in full from the Bank's own funds.

On 14 December 2016, the Bank received a loan from the National Bank of Kazakhstan in the amount of KZT 400,800 million in accordance with the standard procedures on provision of short-term liquidity to second-tier banks. On 26 December 2016, the Bank partially repaid the loan to the National Bank of Kazakhstan in the amount of KZT 200,000 million. The remaining outstanding amount is scheduled for repayment in March 2017.