JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the three months ended 31 March 2018

JSC Halyk Bank

Table of Contents

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2018 (UNAUDITED)	1
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2018 (UNAUDITED):	
Interim consolidated statement of financial position (unaudited)	3
Interim consolidated statement of profit or loss (unaudited)	4
Interim consolidated statement of other comprehensive income (unaudited)	5
Interim consolidated statement of changes in equity (unaudited)	6-7
Interim consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-57

JSC Halyk Bank

Statement of management's responsibilities for the preparation and approval of the interim condensed consolidated financial information for the three months ended 31 March 2018 (unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2018, and the results of its operations, cash flows and changes in equity for the three months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and consolidated 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 comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2018 was authorized for issue by the Management Board on 15 May 2018.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2018
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2018
Almaty, Kazakhstan

Deloitte.

Deloitte, LLP
36 Al Farabi Ave.,
Almaty, 050059,
Republic of Kazakhstan
Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
deloitte.kz

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of JSC Halyk Bank and its subsidiaries (the "Group") as at 31 March 2018 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte, LLP

15 May 2018
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Interim consolidated statement of financial position as at 31 March 2018 (unaudited)

(millions of Kazakhstani Tenge)

	Notes	31 March 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash equivalents	5	1,284,903	1,780,548
Obligatory reserves	6	102,040	111,039
Financial assets at fair value through profit or loss	7	67,035	144,976
Amounts due from credit institutions	8	86,357	87,736
Available-for-sale investment securities	9	n/a	2,565,425
Financial assets at fair value through other comprehensive income	9	1,636,861	n/a
Debt securities at amortized cost, net of allowance for expected credit losses	10	1,069,875	n/a
Precious metals		4,950	5,111
Loans to customers	11, 33	3,225,965	3,251,102
Investment property		45,207	37,517
Commercial property		45,526	48,774
Current income tax assets	19	17,967	15,320
Deferred income tax assets	19	329	517
Property and equipment		137,295	137,684
Intangible assets		7,705	8,251
Goodwill		3,085	3,085
Insurance assets	12	43,932	40,162
Other assets	13	58,827	68,129
		7,837,859	8,305,376
Assets held-for-sale	14	574,072	552,405
TOTAL ASSETS		**8,411,931**	**8,857,781**
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	15, 33	5,756,556	6,131,750
Amounts due to credit institutions	16	158,486	255,151
Financial liabilities at fair value through profit or loss	7	13,856	5,831
Debt securities issued	17	924,693	962,396
Current income tax liability	19	1,508	2,720
Deferred tax liability	19	3,637	8,789
Provisions	18	16,977	16,098
Insurance liabilities	12	150,897	139,543
Other liabilities	20	60,586	66,419
		7,087,196	7,588,697
Liabilities directly associated with assets classified as held for sale	14	377,326	334,627
Total liabilities		**7,464,522**	**7,923,324**
EQUITY			
Share capital	21	143,695	143,695
Share premium reserve		1,902	1,839
Treasury shares		(104,447)	(104,234)
Retained earnings and other reserves		828,559	820,716
		869,709	862,016
Non-controlling interest		77,700	72,441
Total equity		**947,409**	**934,457**
TOTAL LIABILITIES AND EQUITY		**8,411,931**	**8,857,781**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board
15 May 2018
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant
15 May 2018
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim consolidated statement of profit or loss for the three months ended 31 March 2018 (unaudited)

(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)*
CONTINUING OPERATIONS			
Interest income	23, 33	162,005	90,464
Interest expense	23, 33	(87,617)	(43,612)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		74,388	46,852
Credit loss expense	18	(5,197)	(4,964)
NET INTEREST INCOME		69,191	41,888
Fee and commission income	24	26,374	14,385
Fee and commission expense	24	(9,680)	(2,940)
Fees and commissions, net		16,694	11,445
Net loss from financial assets and liabilities at fair value through profit or loss	25	(44,324)	(11,721)
Net realised gain from financial assets at fair value through other comprehensive income (IAS 39 - available-for-sale investment securities		1,778	222
Net gain on foreign exchange operations	26	55,425	14,697
Insurance underwriting income	27	14,653	8,948
Other income		15,764	888
OTHER NON-INTEREST INCOME		43,296	13,034
Operating expenses	28	(36,084)	(17,454)
Recoveries of other credit loss expense	18	1,355	215
Insurance claims incurred, net of reinsurance	27	(14,361)	(8,309)
NON-INTEREST EXPENSES		(49,090)	(25,548)
INCOME BEFORE INCOME TAX EXPENSE		80,091	40,819
Income tax expense	19	(10,159)	(4,838)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**69,932**	**35,981**
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	14	2,585	2,501
NET PROFIT		**72,517**	**38,482**
Attributable to:			
Non-controlling interest		10,464	-
Common shareholders		62,053	38,482
		72,517	**38,482**
EARNINGS PER SHARE	29		
(in Kazakhstani Tenge)			
Basic earnings per share		5.65	3.50
Diluted earnings per share		5.65	3.50
Basic earnings per share from continuing operations		5.41	3.27
Diluted earnings per share from continuing operations		5.41	3.27

*Recalculated due to presentation of JSC Altyn Bank as discontinued operation. For further reference, please see Note 14.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2018
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2018
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.

Interim consolidated statement of other comprehensive income for the three months ended 31 March 2018 (unaudited)
(millions of Kazakhstani Tenge)

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Net profit	72,517	38,482
Other comprehensive (loss)/income:		
Items that will not to be subsequently reclassified to profit or loss:		
Loss on revaluation of property (net of tax – KZT Nil)	(25)	(1)
Items that may be subsequently reclassified to profit or loss:		
(Loss)/gain on revaluation of financial assets at fair value through other comprehensive income (IAS 39 - available-for-sale investment securities) (net of tax – KZT Nil)	(5,109)	5,728
Reclassification adjustment relating to financial assets at fair value through other comprehensive income impaired of in the period (IAS 39 - available-for-sale investment securities) (net of tax – KZT Nil)	245	-
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (IAS 39 - available-for-sale investment securities) (net of tax – KZT Nil)	(1,778)	(222)
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	(300)	51
Other comprehensive (loss)/income for the period	(6,967)	5,556
Total comprehensive income for the period	**65,550**	**44,038**
Attributable to:		
Non-controlling interest	10,096	-
Common shareholders	55,454	44,038
	65,550	**44,038**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2018
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2018
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information

JSC Halyk Bank

Interim consolidated statement of changes in equity
for the three months ended 31 March 2018 (unaudited)
(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehen-sive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2017	143,695	1,839	(104,234)	6,570	13,008	15,470	785,668	862,016	72,441	934,457
Impact of adopting IFRS 9	-	-	-	-	(9,857)	-	(37,184)	(47,041)	(11,723)	(58,764)
Restated opening balance under IFRS 9	143,695	1,839	(104,234)	6,570	3,151	15,470	748,484	814,975	60,718	875,693
Net income	-	-	-	-	-	-	62,053	62,053	10,464	72,517
Other comprehen-sive loss	-	-	-	(300)	(6,274)	(25)	-	(6,599)	(368)	(6,967)
Total comprehen-sive (loss) / income	-	-	-	(300)	(6,274)	(25)	62,053	55,454	10,096	65,550
Treasury shares purchased	-	-	(352)	-	-	-	-	(352)	-	(352)
Treasury shares sold	-	63	139	-	-	-	-	202	-	202
Effect from exchange of preferred shares of JSC Kazkommerts-bank	-	-	-	-	-	-	(570)	(570)	6,886	6,316
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(189)	189	-	-	-
31 March 2018 (unaudited)	143,695	1,902	(104,447)	6,270	(3,123)	15,256	810,156	869,709	77,700	947,409

JSC Halyk Bank

Interim consolidated statement of changes in equity
for the three months ended 31 March 2018 (unaudited) (continued)
(millions of Kazakhstani Tenge)

	Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total equity
31 December 2016	143,695	1,911	(103,121)	5,097	(15,679)	16,609	617,081	665,593
Net income	-	-	-	-	-	-	38,482	38,482
Other comprehensive income/(loss)	-	-	-	51	5,506	(1)	-	5,556
Total comprehensive income/(loss)	**-**	**-**	**-**	**51**	**5,506**	**(1)**	**38,482**	**44,038**
Treasury shares purchased	-	(11)	(70)	-	-	-	-	(81)
Treasury shares sold	-	-	123	-	-	-	-	123
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(128)	128	-
31 March 2017 (unaudited)	**143,695**	**1,900**	**(103,068)**	**5,148**	**(10,173)**	**16,480**	**655,691**	**709,673**

* These amounts are included within Retained earnings and other reserves in the interim condensed consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2018
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2018
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.

Interim consolidated statement of cash flows
for the three months ended 31 March 2018 (unaudited)
(millions of Kazakhstani Tenge)

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	993	12
Interest received from cash equivalents and amounts due from credit institutions	9,352	3,705
Interest received on available-for-sale investment securities	n/a	4,251
Interest received on financial assets at fair value through other comprehensive income	7,440	n/a
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	23,368	n/a
Interest received from loans to customers	97,929	65,840
Interest paid on due to customers	(64,207)	(33,544)
Interest paid on due to credit institutions	(1,034)	(1,267)
Interest paid on debt securities issued	(19,473)	(10,957)
Fee and commission received	24,072	13,899
Fee and commission paid	(9,781)	(3,125)
Insurance underwriting income received	12,848	7,911
Ceded insurance share (paid)/ received	(3,949)	126
Receipts from derivative operations	351	923
Other income received	15,764	889
Operating expenses paid	(23,264)	(13,218)
Insurance claims paid	(11,545)	(5,586)
Cash flows from operating activities before changes in net operating assets	58,864	29,859
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	2,250	3,693
Financial assets at fair value through profit or loss	32,118	224,007
Amounts due from credit institutions	(50,298)	(4,340)
Precious metals	110	(47)
Loans to customers	(79,444)	56,485
Assets held for sale	8,034	-
Insurance assets	797	2,373
Other assets	4,179	(714)
(Decrease)/increase in operating liabilities:		
Amounts due to customers	(213,823)	(88,460)
Amounts due to credit institutions	(75,438)	28,376
Financial liabilities at fair value through profit or loss	8,123	3,096
Insurance liabilities	9,877	1,926
Other liabilities	28,765	679
Net cash (outflow)/inflow from operating activities before income tax	(265,886)	256,933
Income tax paid	(18,982)	(8,903)
Net cash (outflow)/ inflow from operating activities	(284,868)	248,030
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(1,541)	(700)
Proceeds on sale of property and equipment	667	80
Proceeds on sale of commercial property	658	333
Proceeds from sale of financial assets at fair value through other comprehensive income (IAS 39 – available-for-sale investment securities)	1,737,273	80,030
Purchase of financial assets at fair value through other comprehensive income (IAS 39 – available-for-sale investment securities)	(1,935,352)	(547,788)
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(9,585)	n/a
Proceeds from sale of debt securities at amortized cost, net of allowance for expected credit losses	14,104	n/a
Net cash outflow from investing activities	(193,776)	(468,045)

JSC Halyk Bank

Interim consolidated statement of cash flows
for the three months ended 31 March 2018 (unaudited) (continued)
(millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		202	123
Purchase of treasury shares		(352)	(81)
Proceeds on debt securities issued		-	957
Repurchase of shares by subsidiary		(6,984)	-
Redemption and repayment of debt securities issued	17	(23,126)	-
Net cash (outflow)/ inflow from financing activities		(30,260)	999
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(24,143)	(65,309)
Net change in cash and cash equivalents		(533,047)	(284,325)
CASH AND CASH EQUIVALENTS, beginning of the period	**5**	**1,923,284**	**1,774,519**
CASH AND CASH EQUIVALENTS, end of the period*	**5**	**1,390,237**	**1,490,194**

*As at 31 March 2018 and 31 December 2017, cash and cash equivalents includes cash and cash equivalents of asset held for sale of KZT 105,334 million and KZT 142,736 million, respectively (Note 14).

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 May 2018
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 May 2018
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.

1. Principal activities

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan and Georgia, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the National Bank of the Republic of Kazakhstan ("NBRK") on 8 November 2016. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE"). In addition, the Bank's Global Depository Receipts ("GDRs") and Eurobonds are primary listed on the London Stock Exchange.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 March 2018, the Bank operated through its head office in Almaty and its 43 regional branches (including 21 regional branches of JSC Kazkommertsbank ("KKB")), 122 sub-regional offices and 523 cash settlement units (including 185 cash settlement units of KKB) (31 December 2017 – 45, 122, 532, respectively) located throughout Kazakhstan. The address of the Bank's registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 March 2018, the number of the Group's full-time equivalent employees was 17,877 (31 December 2017 – 18,410).

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2018 was authorized for issue by the Management Board on 15 May 2018.

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.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political, social, 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 2014-2016, the oil price decreased significantly, which led to a significant decrease in the national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free-floating tenge exchange rate, and cancelled the currency corridor. As a result, the tenge depreciated significantly against major foreign currencies. During September-December 2015 and January-February 2016, the dollarization level in the Kazakh economy kept growing, which resulted in significant shortage of tenge liquidity in the banking system, record levels of interest rates on the money market and suspension in lending activity. In February 2016, the NBRK introduced the base rate of 17% ± 2% and adopted an inflation targeting policy. These measures by the NBRK reduced both the tenge shortage in the system and average inflation levels.

As at 31 March 2018, the base rate set by NBRK was 9.5% ± 1% (as at 31 December 2017 – 10.25% ± 1%). During the year ended 2017, the decrease of the base rate decelerated. Due to relatively high cost of funding during 2017, the demand for new loans continued to be relatively low, while KZT liquidity in the banking system demonstrated excess levels, including on the back of dedollarisation of the client deposit base. Short-term notes of the NBRK remain the key instrument to withdraw excess tenge liquidity from the system. Compared to 31 December 2017, the operating environment in the first quarter 2018 did not reveal any significant changes.

Management of the Group is monitoring developments in the current environment and taking measures it considers 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 the future operations and financial position of the Group is at this stage difficult to determine.

(millions of Kazakhstani Tenge)

Ownership

As at 31 March 2018 and 31 December 2017, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 March 2018 (unaudited)

	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation
JSC HG Almex	8,086,451,772	73.5%	8,086,451,772	73.5%
Unified Accumulative Pension Fund Joint Stock Company	716,281,746	6.5%	716,281,746	6.5%
GDR holders	1,854,469,720	16.9%	1,854,469,720	16.9%
Other	337,373,663	3.1%	337,373,663	3.1%
Total shares in circulation (on consolidated basis)	10,994,576,901	100%	10,994,576,901	100%

31 December 2017

	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation
JSC HG Almex	8,086,451,772	73.6%	8,086,451,772	73.6%
Unified Accumulative Pension Fund Joint Stock Company	716,281,746	6.5%	716,281,746	6.5%
GDR holders	1,852,878,720	16.8%	1,852,878,720	16.8%
Other	338,204,581	3.1%	338,204,581	3.1%
Total shares in circulation (on consolidated basis)	10,993,816,819	100%	10,993,816,819	100%

2. Basis of presentation

Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

This interim condensed consolidated financial information is presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiary	Holding, % 31 March 2018 (unaudited)	Holding, % 31 December 2017	Country	Industry
JSC Kazkommertsbank	72.75	74.72	Kazakhstan	Banking
Halyk-Leasing JSC	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
Halyk Finance JSC	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
Kazakhinstrakh JSC	100	100	Kazakhstan	Insurance
OJSC NBK-Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Altyn Bank (SB of JSC Halyk Bank)*	100	100	Kazakhstan	Banking

*See Note 14.

On 19 March 2018, KKB exchanged its preferred shares for common shares on terms and conditions and within the period established by the General Shareholders Meeting of KKB on 16 February 2018, and in accordance with KKB Charter and changes to KKB Share Issue Prospectus registered by the National Bank of the Republic of Kazakhstan on 12 March 2018. The purpose of the exchange is to optimise the capital structure of KKB within the framework of the current legislation of the Republic of Kazakhstan.

As of 31 March 2018, the Bank and ALMEX Holding Group owned, respectively, 72.75% and 24.06% of KKB common shares.

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 2017, except for the adoption of new standards effective as at 1 January 2018. The nature and the impact that is relevant to the Group's operations is described below.

In these interim condensed consolidated financial information, the Group has applied IFRS 9 for the first time, effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

As such, fiscal 2018 results reflect the adoption of IFRS 9, while prior period reflect results under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in interim consolidated statement of changes in equity and in the table below.

IFRS 9 *Financial Instruments*

From 1 January 2018, the Group started applying IFRS 9 Financial Instruments. This standard suggests changes in classification principles of financial instruments and replacement of "incurred losses" model applied by IAS 39 with "expected losses" model.

Classification and measurement

For financial assets accounting IFRS 9 provides for 3 classification categories:

- instruments estimated at amortised value;
- instruments estimated at fair value, which changes are reflected in other comprehensive income;
- instruments estimated at fair value, which changes are reflected in profit or loss statement for the reporting period.

In accordance with IFRS 9 recommendations the Group uses the following financial assets management business models:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the Solely payments of principal and interest "SPPI" criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Impairment

Calculation of financial assets impairment was made taking into account the following factors:

- In order to calculate the expected credit losses, the Bank performs loan assessment on an individual basis and on a group basis depending on general credit risk features.
- Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

(millions of Kazakhstani Tenge)

Summary of impact upon adoption of IFRS 9 – Classification and measurement

The following table sets out the classification and measurement impact of adopting IFRS 9 on the interim consolidated statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 expected credit loss calculations. Reclassifications represent movements of the carrying amount of financial assets and liabilities, which have changed their classification. Remeasurement represents changes in the carrying amount of the financial assets and liabilities due to changes in their measurement. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	IAS 39 Measurement category	As at 31 December 2017, IAS 39 Carrying Amount	Reclassification	Remeasurement	As at 1 January 2018, IFRS 9 Carrying Amount	IFRS 9 Measurement category
Cash and cash equivalents	Amortized cost	1,780,548	-	(10)	1,780,538	Amortized cost
Amounts due from credit institutions	Amortized cost	87,736	-	(334)	87,402	Amortized cost
Financial assets at fair value through profit or loss	FVTPL	144,976	(44,884)	(33)	100,059	FVTPL
Financial assets at fair value through other comprehensive income (2017: available-for-sale investment securities)	FVTPL	2,565,425	(1,006,143)	(16,193)	1,543,089	FVOCI
Debt securities at amortized cost, net of allowance for expected credit losses (2017: available-for-sale investment securities)	FVTPL	-	1,050,734	(8)	1,050,726	Amortized cost
Loans to customers	Amortized cost	3,251,102	-	(38,008)	3,213,094	Amortized cost
Other assets	Amortized cost	68,129	293	(1,825)	66,597	Amortized cost
Commitments and contingencies	Amortized cost	(16,977)	-	(2,353)	(19,330)	Amortized cost

The application of other new and revised IFRSs effective for periods beginning on or 1 January 2018 has had no significant impact on the Group's interim condensed consolidated financial information.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

4. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with IFRS, except for changes relating to IFRS 9 discussed in Note 3 of the interim condensed consolidated financial information.

(millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2018 (unaudited)	31 December 2017
Cash on hand	174,288	190,396
Recorded as loans and receivables in accordance with IFRS 9 (2017: IAS 39):		
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	186,504	214,596
Short-term deposits with OECD based banks	338,213	150,656
Overnight deposits with OECD based banks	-	36,584
Correspondent accounts with NBRK	280,910	699,256
Short-term deposits with NBRK	1,025	61,378
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	243,283	373,956
Correspondent accounts with non-OECD based banks	12,554	20,439
Short-term deposits with non-OECD based banks	32,211	33,233
Overnight deposits with non-OECD based banks	15,915	54
	1,284,903	1,780,548
Cash and cash equivalents of JSC Altyn Bank	105,334	142,736
Total per consolidated statement of cash flows	1,390,237	1,923,284

As at 31 March 2018, cash and cash equivalents allowance for expected credit losses comprised KZT 14 million (Note 18).

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 March 2018 (unaudited)		31 December 2017	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.9%-2.1%	-	0.8%-1.8%
Overnight deposits with OECD based banks	-	-	-	1.4%-1.5%
Short-term deposits with NBRK	0.3%	-	9.3%	-
Short-term deposits with Kazakhstan banks	7.1%-11.7%	2.5%	9.0%-12.3%	-
Short-term deposits with non-OECD based banks	-	1.9%-6.0%	-	1.7%
Overnight deposits with non-OECD based banks	-	1.5%-1.6%	-	1.7%-1.8%

(millions of Kazakhstani Tenge)

The fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018 (unaudited)		31 December 2017	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	163,572	163,509	228,642	228,516
NBRK notes	42,305	42,295	132,879	132,791
Treasury bills of the Ministry of Finance of Russian Federation	22,395	22,391	-	-
Equity securities	6,979	6,952	11,122	11,080
	235,251	235,147	372,643	372,387

As at 31 March 2018 and 31 December 2017, maturities of loans under reverse repurchase agreements are less than one month.

6. Obligatory reserves

Obligatory reserves comprise:

	31 March 2018 (unaudited)	31 December 2017
Recorded as loans and receivables in accordance with IFRS 9 (2017: IAS 39):		
Cash and due from banks allocated to obligatory reserves	102,040	111,039
	102,040	111,039

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan, Georgia, Tajikistan and Central Bank of Russian Federation and used for calculation of the minimum reserve requirements. As at 31 March 2018, obligatory reserves of the Bank's subsidiaries – JSC Kazkommertsbank, OJSC Halyk Bank Kyrgyzstan, JSC NBK-Bank and JSC Halyk Bank Georgia, JSC Commercial Bank Moskommertsbank and CJSC Kazkommertsbank Tajikistan comprised KZT 44,628 million (31 December 2017 – KZT 48,196 million).

7. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	31 March 2018 (unaudited)	31 December 2017
Financial assets held for trading:		
Corporate bonds	22,538	21,212
Equity securities of Kazakhstan corporations	11,506	14,478
Bonds of Kazakhstan banks	8,178	5,547
Treasury bills of the Ministry of Finance of Kazakhstan	6,736	44,171
Notes of NBRK	6,143	8,310
Equity securities of foreign organisations	4,740	675
Bonds of JSC Development Bank of Kazakhstan	2,849	5,252
Bonds of foreign organisations	2,577	5,126
Derivative financial instruments	1,768	39,723
Equity securities of Kazakhstan banks	-	482
	67,035	144,976

(millions of Kazakhstani Tenge)

Financial liabilities at fair value through profit or loss comprise:

	31 March 2018 (unaudited)	31 December 2017
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	13,856	5,831

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 March 2018 (unaudited)	31 December 2017
Corporate bonds	11.8%	8.6%
Bonds of Kazakhstan banks	12.1%	11.1%
Treasury bills of the Ministry of Finance of Kazakhstan	6.7%	5.6%
Notes of NBRK	6.8%	10.3%
Bonds of JSC Development Bank of Kazakhstan	9.6%	7.1%
Bonds of foreign organisations	7.1%	7.0%

Derivative financial instruments comprise:

	31 March 2018 (unaudited)			31 December 2017		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts:						
Swaps	1,179,588	1,580	12,244	1,172,217	39,671	5,828
Spots	20,082	188	110	10,309	23	3
Forwards	3,183	-	1,502	4,085	29	-
		1,768	13,856		39,723	5,831

As at 31 March 2018 and 31 December 2017, swap contracts included a one-year cross-currency swap deal made between KKB and NBRK on 3 July 2017 for the notional amount of KZT 1,000,000 million. The purpose of the deal is to place excess liquidity in foreign currency.

As at 31 March 2018 and 31 December 2017, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 March 2018 (unaudited)	31 December 2017
Recorded as loans and receivables in accordance with IFRS 9 (2017: IAS 39):		
Term deposits	51,603	59,711
Deposits pledged as collateral for derivative financial instruments	17,740	9,306
Loans to credit institutions	17,549	18,719
	86,892	87,736
Less – Allowance for expected credit losses (Note 18)/ (2017: Allowance for impairment)	(535)	-
	86,357	87,736

(millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 March 2018 (unaudited) Interest rate	Maturity, year	31 December 2017 Interest rate	Maturity, year
Term deposits	3.5%-17.0%	2023	0.4%-15.0%	2018
Deposits pledged as collateral for derivative financial instruments	0.2%-3.0%	2046	1.1%-1.8%	2046
Loans to credit institutions	6.8%-8.5%	2018	8.5%-16.0%	2018

9. Financial assets at fair value through other comprehensive income (IAS 39 – Available-for-sale investment securities)

Debt securities comprise:

	31 March 2018 (unaudited)	31 December 2017
Notes of NBRK	636,386	459,895
Treasury bills of the Ministry of Finance of Kazakhstan	346,280	1,366,494
Corporate bonds	289,460	280,106
Treasury bills of the USA	198,214	264,821
Bonds of JSC Development Bank of Kazakhstan	70,339	66,792
Bonds of foreign organizations	63,159	82,935
Bonds of Kazakhstan banks	22,506	25,017
Treasury bills of Hungary	7,416	7,987
Treasury bills of the Russian Federation	899	909
Treasury bills of the Kyrgyz Republic	309	1,710
Treasury bills of Georgia	-	2,156
Notes of National Bank of Kyrgyz Republic	-	1,400
	1,634,968	2,560,222

Equity securities comprise:

	31 March 2018 (unaudited)	31 December 2017
Equity securities of Kazakhstan corporations	1,893	3,407
Equity securities of foreign organizations	-	1,756
Equity securities of Kazakhstan banks	-	40
	1,893	5,203
Total financial assets at fair value through other comprehensive income	1,636,861	2,565,425

As at 31 March 2018, the allowance for expected credit losses on financial assets at fair value through other comprehensive income was KZT 2,597 million (Note 18).

As at 31 March 2018 and 31 December 2017, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 1,146 million and KZT 92,719 million, respectively, which were pledged under repurchase agreements with other banks (see Note 16). All repurchase agreements as at 31 March 2018 and 31 December 2017 mature before 3 April 2018 and 3 January 2018, respectively.

(millions of Kazakhstani Tenge)

Interest rates and maturities of debt securities are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

	31 March 2018 (unaudited)		31 December 2017	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Notes of NBRK	9.0%	2018-2019	10.0%	2018
Treasury bills of the Ministry of Finance of Kazakhstan	6.9%	2018-2045	7.0%	2018-2045
Corporate bonds	8.1%	2018-2047	7.0%	2018-2047
Treasury bills of the USA	1.4%	2018	1.0%	2018
Bonds of JSC Development Bank of Kazakhstan	6.5%	2020-2032	5.7%	2020-2032
Bonds of foreign organizations	2.9%	2018-2044	8.0%	2018-2046
Bonds of Kazakhstan banks	9.7%	2018-2024	11.3%	2018-2024
Treasury bills of Hungary	3.2%	2023	3.2%	2023
Treasury bills of the Russian Federation	8.1%	2021	8.1%	2021
Treasury bills of the Kyrgyz Republic	3.4%	2018-2021	6.1%	2018-2021
Treasury bills of Georgia	-	-	10.8%	2019-2025
Notes of National Bank of Kyrgyz Republic	-	-	2.8%	2018

10. Debt securities at amortized cost, net of allowances for expected credit losses

Debt securities at amortized cost, net of allowances for expected credit losses comprise:

	31 March 2018 (unaudited)
Treasury bills of the Ministry of Finance of Kazakhstan	1,055,947
Bonds of foreign organizations	8,952
Notes of National Bank of Georgia	2,188
Notes of National Bank of Kyrgyz Republic	2,043
Treasury bills of the Kyrgyz Republic	745
	1,069,875

As at 31 March 2018, the allowance for expected credit losses on debt securities at amortized cost was KZT 10 million.

Interest rates and maturities of debt securities at amortized cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

	31 March 2018 (unaudited)	
	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027
Bonds of foreign organizations	10.1%	2018-2046
Notes of National Bank of Georgia	10.7%	2019-2025
Notes of National Bank of Kyrgyz Republic	4.7%	2018
Treasury bills of the Kyrgyz Republic	5.7%	2018

(millions of Kazakhstani Tenge)

11. Loans to customers

Loans to customers comprise:

	31 March 2018 (unaudited)	31 December 2017
Recorded as loans and receivables in accordance with IFRS 9 (2017: IAS 39):		
Originated loans to customers	3,541,555	3,547,621
Overdrafts	22,791	20,642
	3,564,346	3,568,263
Stage 1	2,629,255	n/a
Stage 2	180,545	n/a
Stage 3	754,546	n/a
Total	3,564,346	n/a
Less – Allowance for expected credit losses (Note 18)/ (2017: Allowance for loan impairment losses)	(338,381)	(317,161)
Loans to customers	3,225,965	3,251,102

As at 31 March 2018, loans to customers before allowance for expected credit losses include loans of face value of KZT 1,540,722 million acquired from KKB. These loans are presented in the table above at their unamortized fair value of KZT 769,105 million.

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 31 March 2018, the average interest rate on loans was 12.5% per annum (as at 31 December 2017 – 13.0% per annum).

As at 31 March 2018, the Group's loan concentration to the ten largest borrowers was KZT 622,090 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2017 – KZT 617,144 million; 17%) and 66% of the Group's total equity (as at 31 December 2017 – 66%).

As at 31 March 2018, the allowance for expected credit losses against these loans amounted to KZT 48,250 million (as at 31 December 2017 – KZT 56,807 million).

(millions of Kazakhstani Tenge)

As at 31 March 2018 and 31 December 2017, loans were extended to customers operating in the following sectors:

	31 March 2018 (unaudited)	%	31 December 2017	%
Retail loans:				
- consumer loans	679,918	19%	679,674	19%
- mortgage loans	256,124	7%	265,454	8%
	936,042		945,128	
Services	570,003	16%	527,618	15%
Wholesale trade	384,841	11%	376,064	11%
Construction	294,533	8%	282,412	8%
Retail trade	183,325	5%	185,733	5%
Real estate	173,568	5%	174,221	5%
Agriculture	143,697	4%	150,186	4%
Metallurgy	143,334	4%	153,761	4%
Transportation	141,642	4%	131,843	4%
Energy	89,913	3%	95,838	3%
Food industry	75,652	2%	78,417	2%
Financial services	75,539	2%	83,193	2%
Mining	61,311	2%	63,555	2%
Hotel industry	61,133	2%	63,241	2%
Oil and gas	56,198	2%	73,620	2%
Chemical industry	37,753	1%	38,036	1%
Communication	37,601	1%	49,731	1%
Machinery	33,278	1%	33,377	1%
Light industry	18,102	0%	17,255	0%
Other	46,881	1%	45,034	1%
	3,564,346	100%	3,568,263	100%

As at 31 March 2018, accrued interest on loans comprised KZT 147,028 million (as at 31 December 2017 – KZT 145,535 million).

As at 31 March 2018 and 31 December 2017 loans to customers included loans of KZT 365,933 million and KZT 340,445 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

12. Insurance assets and liabilities

Insurance assets comprised the following:

	31 March 2018 (unaudited)	31 December 2017
Unearned reinsurance premium	21,842	17,893
Reinsurance amounts	9,645	8,987
	31,487	26,880
Premiums receivable	12,445	13,282
Insurance assets	43,932	40,162

(millions of Kazakhstani Tenge)

Insurance liabilities comprised the following:

	31 March 2018 (unaudited)	31 December 2017
Reserves for insurance claims	103,071	99,597
Gross unearned insurance premium reserve	37,029	29,172
	140,100	128,769
Payables to reinsurers and agents	10,797	10,774
Insurance liabilities	150,897	139,543

13. Other assets

Other assets comprise:

	31 March 2018 (unaudited)	31 December 2017
Other financial assets recorded as loans and receivables in accordance with IFRS 9 (2017: IAS 39):		
Other financial assets at amortized cost*	27,578	-
Debtors on non-banking activities	13,919	13,037
Debtors on banking activities**	10,601	33,084
Accrued commission income	4,931	4,895
Others	374	363
	57,403	51,379
Less – Allowance for expected credit losses (Note 18)/ (2017: Allowance for impairment)	(10,558)	(5,921)
	46,845	45,458
Other non-financial assets:		
Advances for taxes other than income tax	3,818	3,767
Prepayments for investment property	2,358	11,816
Inventory	1,218	1,335
Prepayments for property and equipment	480	1,679
Other investments	226	453
Others	3,882	3,621
	11,982	22,671
	58,827	68,129

* Other financial assets recorded at amortised cost include long-term receivables under administrative activities.
** Debtors on banking activities represent debtors on sale of assets in installments recorded on the books of the Group as a result of KKB acquisition.

14. Assets held for sale

After the default of some counterparties on loans to customers, the Group recognised the property pledged as collateral for those loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less disposal costs or the carrying value, as the Group's management of the appropriate level committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

(millions of Kazakhstani Tenge)

Assets held for sale comprised the following:

	31 March 2018 (unaudited)	31 December 2017
Assets classified as held for sale related to JSC Altyn Bank	418,055	391,445
Land plots	101,901	114,267
Real estate	50,718	43,290
Movable property	3,398	3,403
Total assets classified as held for sale	574,072	552,405
Liabilities directly associated with assets classified as held for sale	377,326	334,627

In October 2017, the Group performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 4,978 million.

Despite the Group actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale as at 31 March 2018.

The fair value of the Group's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's assets held for sale and information about the fair value hierarchy as at 31 March 2018 and 31 December 2017 are as follows:

	Level 2	Level 3
31 December 2017		
Land plots	-	114,267
Real estate	23,657	19,633
Movable property	-	3,403
31 March 2018 (unaudited)		
Land plots	-	101,901
Real estate	26,234	24,484
Movable property	-	3,398

(millions of Kazakhstani Tenge)

The major classes of assets and liabilities of JSC Altyn Bank as at 31 March 2018 and 31 December 2017 were as follows:

	31 March 2018 (unaudited)	31 December 2017
Cash and cash equivalents	132,116	149,170
Financial assets at fair value through profit or loss	925	7
Financial assets at fair value through other comprehensive income	152,844	115,715
Loans to customers	121,598	115,955
Property, equipment and intangible assets	5,245	5,252
Goodwill	1,869	1,869
Other assets	3,458	3,477
Assets of JSC Altyn Bank classified as held for sale	418,055	391,445
Amounts due to customers	344,820	318,900
Amounts due to credit institutions	30,932	12,624
Other liabilities	1,574	3,103
Liabilities of JSC Altyn Bank directly associated with assets classified as held for sale	377,326	334,627
Net assets of JSC Altyn Bank classified as held for sale	40,729	56,818

The combined results of the discontinued operations of JSC Altyn Bank included in the consolidated statement of profit or loss are set out below:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Interest income	6,427	5,744
Interest expense	(3,279)	(2,687)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	3,148	3,057
(Credit loss expense)/recovery of credit loss expense	(85)	109
NET INTEREST INCOME	3,063	3,166
Fee and commission income	449	366
Fee and commission expense	(294)	(220)
Fees and commissions, net	155	146
Net gain from financial assets and liabilities at fair value through profit or loss	730	228
Net foreign exchange (loss)/gain	(87)	436
Other income	493	1
OTHER NON-INTEREST INCOME	1,136	665
Operating expenses	(1,529)	(1,367)
(Other credit loss expense)/recovery of other credit loss expense	(2)	28
NON-INTEREST EXPENSES	(1,531)	(1,339)
INCOME BEFORE INCOME TAX EXPENSE	2,823	2,638
Income tax expense	(238)	(137)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2,585	2,501

CASH FLOWS FROM DISCONTINUED OPERATIONS:	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Net cash inflow/(outflow) from operating activities	18,589	(701)
Net cash outflow from investing activities	(55,979)	(35,680)
Net cash flow from financing activities	-	-
Net cash outflow	(37,390)	(36,381)

(millions of Kazakhstani Tenge)

15. Amounts due to customers

Amounts due to customers include the following:

	31 March 2018 (unaudited)	31 December 2017
Recorded at amortized cost:		
Term deposits:		
Individuals	2,666,681	2,691,886
Legal entities	1,435,634	1,705,971
	4,102,315	4,397,857
Current accounts:		
Legal entities	1,261,248	1,321,530
Individuals	392,993	412,363
	1,654,241	1,733,893
	5,756,556	6,131,750

As at 31 March 2018, the Group's ten largest groups of related customers accounted for approximately 32% of the total amounts due to customers (31 December 2017 – 32%), where each group of related customers represents customers related to each other within that group.

As at 31 March 2018, amounts due to customers included amounts held as collateral of KZT 76,257 million (31 December 2017 – KZT 83,501 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sectors is as follows:

	31 March 2018 (unaudited)	Share	31 December 2017	Share
Individuals and entrepreneurs	3,059,674	53%	3,104,249	51%
Oil and gas	657,546	11%	712,840	12%
Government	382,316	7%	489,422	8%
Other consumer services	268,788	5%	208,610	4%
Wholesale trade	194,324	3%	199,766	3%
Metallurgy	166,947	3%	358,939	6%
Transportation	146,324	3%	125,828	2%
Healthcare and social services	122,503	2%	129,962	2%
Financial sector	112,041	2%	90,204	2%
Construction	107,700	2%	138,326	2%
Communication	80,723	1%	81,260	1%
Education	60,888	1%	86,508	1%
Energy	48,839	1%	44,568	1%
Insurance and pension funds activity	12,509	0%	17,779	0%
Other	335,434	6%	343,489	6%
	5,756,556	100%	6,131,750	100%

(millions of Kazakhstani Tenge)

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 March 2018 (unaudited)	31 December 2017
Recorded at amortized cost:		
Loans from JSC Entrepreneurship Development Fund DAMU	80,636	79,971
Loans from JSC Development Bank of Kazakhstan	38,609	37,434
Correspondent accounts	22,622	23,953
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8,038	105,166
Loans from JSC National Managing Holding KazAgro	3,695	3,869
Loans from other financial institutions	2,509	2,148
Loans and deposits from non-OECD based banks	2,041	2,227
Loans and deposits from OECD based banks	336	383
	158,486	255,151

As at 31 March 2018, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 79,960 million (31 December 2017 – KZT 79,566 million) at 1.0%-4.5% interest rate maturing in 2018-2035 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

As at 31 March 2018, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 31,495 million (31 December 2017 – KZT 32,012 million) at 2.0%-7.9% interest rate maturing in 2019-2035 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 5,300 million (31 December 2017 – KZT 5,300 million) at 1% interest rate maturing in 2035 to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

As at 31 March 2018, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 3,691 million (31 December 2017 - KZT 3,865 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

On 3 July 2017, the Group made an early repayment of its indebtedness to KazAgro for KZT 31,873 million due to exclusion of several loans from KazAgro financing programme.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

(millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due to credit institutions are as follows:

	Interest rate, %	31 March 2018 (unaudited) Maturity, year	Interest rate, %	31 December 2017 Maturity, year
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2018-2035	1.0%-4.5%	2018-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-7.9%	2019-2037	1.0%-7.9%	2019-2035
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	1.0%-9.0%	2018-2021	1.0%-9.5%	2018
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022
Loans from other financial institutions	1.0%-10.0%	2018-2023	10.0%	2023
Loans and deposits from non-OECD based banks	1.0%-8.0%	2020-2023	1.0%-9.5%	2018-2022
Loans and deposits from OECD based banks	3.4%	2018	3.1%	2018

Fair value of assets pledged (Note 9) and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018 (unaudited)		31 December 2017	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	1,146	1,136	92,719	90,046
	1,146	1,136	92,719	90,046

Details of transferred financial assets that are not derecognized in their entirety as at 31 March 2018 and 31 December 2017 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Financial assets at fair value through other comprehen-sive income (Note 9)
As at 31 March 2018 (unaudited):	
Carrying amount of transferred assets	1,146
Carrying amount of associated liabilities	1,136
As at 31 December 2017:	
Carrying amount of transferred assets	92,719
Carrying amount of associated liabilities	90,046

(millions of Kazakhstani Tenge)

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Some of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 March 2018 and 31 December 2017, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

17. Debt securities issued

Debt securities issued consisted of the following:

	31 March 2018 (unaudited)	31 December 2017
Recorded at amortized cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	80,123	77,330
KZT denominated bonds, indexed to inflation	13,209	12,976
USD denominated bonds, floating rate	-	18,776
Total subordinated debt securities outstanding	93,332	109,082
Unsubordinated debt securities issued:		
USD denominated bonds	448,126	464,435
KZT denominated bonds	383,235	388,526
RUB denominated bonds	-	353
Total unsubordinated debt securities outstanding	831,361	853,314
Total debt securities issued	924,693	962,396

On 9 February 2018, KKB redeemed USD 100 million perpetual subordinated Eurobonds issued in November 2005. The repayment was made out of KKB's own funds.

The coupon rates and maturities of these debt securities issued are as follows:

		31 March 2018 (unaudited)		31 December 2017
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
KZT denominated bonds, indexed to inflation	1%+Inflation rate	2018-2019	1%+Inflation rate	2018-2019
USD denominated bonds, floating rate	-	-	Libor+6.2%	perpetual
Unsubordinated debt securities issued:				
USD denominated bonds	5.5%-8.5%	2018-2022	5.5%-8.5%	2018-2022
KZT denominated bonds	7.5%-8.8%	2019-2025	7.5%-8.8%	2019-2025
RUB denominated bonds	-	-	5.5%-12.0%	2019

As at 31 March 2018, the amount of accrued interest on debt securities issued was KZT 20,659 million (as at 31 December 2017 – KZT 10,754 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

(millions of Kazakhstani Tenge)

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 March 2018 and 31 December 2017 the Group was in compliance with the covenants of the agreements that the Group has with the notes' trustees and holders.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2018	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 March 2018 (unaudited)
Debt securities issued	962,396	(23,126)	(19,129)	4,552	924,693

			Non-cash changes			
	1 January 2017	Financing cash flows	Acquisition of subsidiary	Foreign exchange movement	Changes in amortised cost	31 December 2017
Debt securities issued	584,933	(197,892)	579,662	(2,671)	(1,636)	962,396

(millions of Kazakhstani Tenge)

18. Allowances for expected credit losses

The movements in accumulated allowances of financial assets at fair value through other comprehensive income, the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers (Note 11)			Other assets (Note 13)			Financial assets at fair value through other comprehensive income* (Note 9,10)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 8)	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	TOTAL
Restated opening balance under IFRS 9	(34,207)	(31,973)	(293,039)	(952)	(3,298)	(3,738)	(1,005)	(4)	(1,412)	(10)	(334)	(369,972)
Transfer to Stage 1	(301)	117	184	(2)	2	-	-	-	-	-	-	-
Transfer to Stage 2	549	(944)	395	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	3,266	484	(3,750)	-	-	-	-	-	-	-	-	-
(Additional provisions recognized) /recoveries	(3,353)	(1,946)	3,525	95	2,002	(5,110)	(149)	-	(68)	(2)	(191)	(5,197)
Write-offs	-	-	1,619	1	39	612	12	-	6	-	-	2,289
Foreign exchange differences	269	933	19,791	20	(90)	(139)	12	-	1	(2)	(10)	20,785
31 March 2018(un-audited)	(33,777)	(33,329)	(271,275)	(838)	(1,345)	(8,375)	(1,130)	(4)	(1,473)	(14)	(535)	(352,095)
Total			(338,381)			(10,558)			(2,607)	(14)	(535)	

*Including debt securities at amortized cost (Note 10).

(millions of Kazakhstani Tenge)

	Loans to customers (Note 11)	Amounts due from credit institutions (Note 8)	Available-for-sale investment securities (Note 9)	Other assets (Note 13)	Total
31 December 2016	(284,752)	-	(3,884)	(4,516)	(293,152)
Additional provisions recognised	(334,456)	(200)	(495)	(14,250)	(349,401)
Recoveries of provisions	269,246	99	1,636	11,118	282,099
Write-offs	37,215	101	388	2,064	39,768
Disposal of a subsidiary	2,603	-	-	7	2,610
Foreign exchange differences	(7,017)	-	(98)	(344)	(7,459)
31 December 2017	(317,161)	-	(2,453)	(5,921)	(325,535)

During the three months ended 31 March 2018 and 2017, the Group has written off loans of KZT 1,619 million and KZT 4,665 million, respectively, which allow the writing off of loans without being considered forgiveness of the loan for tax purposes and are therefore not subject to corporate income tax.

Provision represents other credit loss expenses against letters of credit and guarantees issued. The movements in provisions were as follows:

	Stage 1	Stage 2	Stage 3	Three months ended 31 March 2018 (unaudited) Total
Restated opening balance under IFRS 9	(129)	(13,539)	(4,783)	(18,451)
Transfer to Stage 1	(108)	108	-	-
Transfer to Stage 2	1	(1)	-	-
Transfer to Stage 3	-	11,598	(11,598)	-
(Additional provisions recognized)/recoveries	(26)	409	972	1,355
Foreign exchange differences	3	21	95	119
At the end of the year	(259)	(1,404)	(15,314)	(16,977)

	Three months ended 31 March 2017 (unaudited)
At the beginning of the period	(987)
Additional provisions recognized	(165)
Recoveries	408
Foreign exchange differences	21
At the end of the period	(723)

19. Taxation

The Bank and its subsidiaries, other than JSC NBK-Bank, OJSC Halyk Bank Kyrgyzstan, JSC Halyk Bank Georgia, CJSC Kazkommertsbank Tajikistan and JSC Commercial Bank Moskommertsbank, are subject to taxation in Kazakhstan. JSC NBK-Bank and JSC Commercial Bank Moskommertsbank are subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia. CJSC Kazkommertsbank Tajikistan is subject to income tax in the Republic of Tajikistan.

(millions of Kazakhstani Tenge)

The income tax expense comprises:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Current tax charge	15,123	8,858
Deferred tax benefit relating to origination and reversal of temporary differences	(4,964)	(4,020)
Income tax expense	10,159	4,838

Deferred tax assets and liabilities comprise:

	31 March 2018 (unaudited)	31 December 2017
Tax effect of deductible temporary differences:		
Tax loss carry forward	45,328	45,491
Bonuses accrued	3,954	3,246
Fair value of derivatives	1,999	1,334
Vacation pay accrual	529	474
Other	2,411	2,439
Deferred tax asset	54,221	52,984
Tax effect of taxable temporary differences:		
Fair value adjustment on customer accounts	(43,470)	(43,633)
Property and equipment, accrued depreciation	(12,991)	(12,740)
Fair value of derivatives and financial assets at fair value through other comprehensive income	(748)	(744)
Allowance for loans to customers	(127)	(3,920)
Other	(193)	(219)
Deferred tax liability	(57,529)	(61,256)
Net deferred tax liability	(3,308)	(8,272)

Current tax assets comprise:

	31 March 2018 (unaudited)	31 December 2017
Current income tax refund receivable	17,967	15,320
Current income tax payable	(1,508)	(2,720)
Net current income tax asset	16,459	12,600

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

	31 March 2018 (unaudited)	31 December 2017
Deferred tax asset	329	517
Deferred tax liability	(3,637)	(8,789)
Net deferred tax liability	(3,308)	(8,272)

(millions of Kazakhstani Tenge)

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

20. Other liabilities

Other liabilities comprise:

	31 March 2018 (unaudited)	31 December 2017
Other financial liabilities:		
Salary payable	22,434	18,240
Creditors on bank activities	7,018	7,539
Creditors on non-banking activities	4,021	5,250
Payable for general and administrative expenses	3,377	1,994
Settlements on card transactions	2,492	4,318
Liabilities on preferred shares*	-	12,149
Others	667	883
	40,009	50,373
Other non-financial liabilities:		
Amounts due to original investors on commercial property	9,306	9,589
Taxes payable other than income tax	8,858	4,088
Other prepayments received	2,413	2,369
	20,577	16,046
Total other liabilities	60,586	66,419

* On 20 March 2018, KKB completed the exchange of its preferred shares to common shares under the conditions, procedures and terms approved by the Extraordinary General Shareholders' Meeting of KKB on 16 February 2018 inclusive of the partial buyback of shares upon the shareholders' request. A gain for KZT 592 million was recognized and included to the "Other income" line item in the interim consolidated statement of profit or loss.

21. Equity

Authorized, issued and fully paid number of shares as at 31 March 2018 and 2017 were as follows:

31 March 2018 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	25,000,000,000	(12,311,142,941)	12,688,857,059	(1,694,280,158)	10,994,576,901

31 March 2017 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	25,000,000,000	(12,311,142,941)	12,688,857,059	(1,694,323,916)	10,994,533,143

(millions of Kazakhstani Tenge)

All shares are denominated in KZT. Movements in shares outstanding are as follows:

	Common Number of shares Common	Common Nominal (placement) amount Common
31 December 2016	10,993,619,331	40,574
Purchases of treasury shares	(1,403,228)	(70)
Sale of treasury shares	2,317,040	123
31 March 2017 (unaudited)	10,994,533,143	40,627
31 December 2017	10,993,816,819	39,461
Purchases of treasury shares	(601,093)	(5,585)
Sale of treasury shares	1,361,175	155
31 March 2018 (unaudited)	10,994,576,901	34,031

Common shares

As at 31 March 2018 and 31 December 2017, share capital comprised KZT 143,695 million. As at 31 March 2018, the Group held 1,694,280,158 shares of the Group's common shares as treasury shares at KZT 104,447 million (31 December 2017 – 1,695,040,240 at KZT 104,234 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

22. Commitments and contingencies

Financial commitments and contingencies

The Group's financial commitments and contingencies comprised the following:

	31 March 2018 (unaudited)	31 December 2017
Guarantees issued	281,340	300,565
Commercial letters of credit	60,151	70,454
Commitments to extend credit	49,723	59,056
Financial commitments and contingencies	391,214	430,075
Less: cash collateral against letters of credit	(43,213)	(50,144)
Less: provisions (Note 18)	(16,977)	(16,098)
Financial commitments and contingencies, net	331,024	363,833

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 31 March 2018, the ten largest guarantees accounted for 49% of the Group's total financial guarantees (as at 31 December 2017 – 46%) and represented 14% of the Group's total equity (as at 31 December 2017 – 15%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 31 March 2018, the ten largest unsecured letters of credit accounted for 47% of the Group's total commercial letters of credit (31 December 2017 – 44%) and represented 3% of the Group's total equity (31 December 2017 – 3%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

(millions of Kazakhstani Tenge)

Capital commitments

As at 31 March 2018, the Group had commitments for capital expenditures in respect of construction in progress in the amount of KZT 2,260 million (31 December 2017 – KZT 2,480 million).

Operating lease commitments

There were no material operating lease commitments under non-cancellable operating leases outstanding as at 31 March 2018 and 31 December 2017.

23. Net interest income

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Interest income:		
Amounts due from credit institutions and cash and cash equivalents	9,104	3,530
Loans to customers	100,958	69,530
Financial assets at fair value through other comprehensive income (IAS 39 – Available-for-sale investment securities)	27,114	13,540
Debt securities at amortized cost, net of allowance for expected credit losses	23,651	n/a
Financial assets at fair value through profit or loss	1,178	3,864
Total interest income	162,005	90,464
Interest expense:		
Amounts due to customers	(62,715)	(31,759)
Debt securities issued	(24,024)	(10,940)
Amounts due to credit institutions	(878)	(913)
Total interest expense	(87,617)	(43,612)
Net interest income	74,388	46,852

24. Fees and commissions

Fees and commission income is derived from the following sources:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Payment cards maintenance	8,270	2,840
Cash operations	5,470	2,367
Bank transfers – settlements	5,131	3,759
Servicing customers' pension payments	1,955	1,800
Bank transfers – salary projects	1,813	1,686
Letters of credit and guarantees issued	1,568	810
Maintenance of customer accounts	936	614
Other	1,231	509
	26,374	14,385

(millions of Kazakhstani Tenge)

Fee and commission expense is derived from the following sources:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Payment cards	(4,315)	(1,171)
Deposit insurance	(4,048)	(1,318)
Bank transfers	(189)	(156)
Foreign currency operations	(131)	(111)
Commission paid to collectors	(97)	(101)
Other	(900)	(83)
	(9,680)	(2,940)

25. Net loss from financial assets and liabilities at fair value through profit or loss

Net loss on financial assets and liabilities at fair value through profit or loss comprises:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Net loss on operations with financial assets and liabilities classified as held for trading:		
Unrealized net loss on derivative and trading operations*	(44,675)	(12,489)
Realized net (loss)/ gain on derivative operations	(1,538)	764
Realized net gain on trading operations	1,889	4
Total net loss on operations with financial assets and liabilities classified as held for trading	(44,324)	(11,721)

*For the three months ended 31 March 2018, the loss occurred as a result of the strengthening of the tenge against the US dollar and relates to the revaluation of the cross-currency swap between KKB and NBRK (Note 7).

26. Net gain on foreign exchange operations

Net gain on foreign exchange operations comprises:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Translation differences, net	48,496	11,376
Dealing, net	6,929	3,321
Net gain on foreign exchange operations	55,425	14,697

(millions of Kazakhstani Tenge)

27. Insurance underwriting income

Insurance underwriting income/(expense) comprised:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Insurance premiums written, gross	28,755	17,034
Ceded reinsurance share	(10,232)	(6,766)
Change in unearned insurance premiums, net	(3,870)	(1,320)
Total insurance underwriting income	14,653	8,948
Commissions to agents	(5,907)	(2,727)
Insurance payments	(5,356)	(3,016)
Insurance reserves expenses	(3,098)	(2,566)
Total insurance claims incurred, net of reinsurance	(14,361)	(8,309)
	292	639

28. Operating expenses

Operating expenses comprised:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Salaries and other employee benefits	19,604	10,199
Depreciation and amortization expenses	2,784	1,735
Write-off and impairment of property and equipment, intangible assets and investment property	1,803	8
Security	1,521	661
Taxes other than income tax	1,461	805
Rent	1,284	413
Repairs and maintenance	1,118	386
Communication	1,028	428
Utilities expenses	815	566
Information services	779	506
Insurance agents fees	634	148
Professional services	561	589
Advertisement	412	125
Stationery and office supplies	339	214
Business trip expenses	229	150
Transportation	218	121
Other	1,494	400
	36,084	17,454

29. Earnings per share

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

(millions of Kazakhstani Tenge)

According to Kazakhstan legislation on Joint Stock Companies, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net profit for the period is allocated to the common shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2017 (unaudited)
Basic and diluted earnings per share		
Net income for the period attributable to equity holders of the parent	62,053	38,482
Earnings attributable to common shareholders	62,053	38,482
Earnings for the period from continuing operations	59,468	35,981
Earnings for the period from discontinuing Operations	2,585	2,501
Weighted average number of common shares for the purposes of basic and diluted earnings per share	10,991,461,695	10,994,302,320
Basic and diluted earnings per share (in Tenge)	5.65	3.50
Basic and diluted earnings per share from continuing operations (in Tenge)	5.41	3.27
Basic and diluted earnings per share from discontinued operations (in Tenge)	0.24	0.23

As required by KASE rules for listed companies the book value of one share per each class of shares as at 31 March 2018 and 31 December 2017, is disclosed as follows:

			31 March 2018 (unaudited)
Class of shares	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	10,994,576,901	939,704	85.47
		939,704	

			31 December 2017
Class of shares	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	10,993,816,819	926,206	84.25
		926,206	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting date.

30. Financial risk management

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

Credit risk is the risk of loss arising for the Group when counterparty is unable to meet its contractual obligations on time or in full.

Risk Management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification and evaluation and implementation of control and monitoring measures. The Risk Management division directly participates in credit decision-making processes and consideration of internal rules, regulations and loan programs. In addition, the division provides independent recommendations concerning credit exposure minimization measures, controls limits and monitors credit risks, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Liquidity Risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations when they become due. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

Short-term liquidity needs are managed by the Group's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

(millions of Kazakhstani Tenge)

	31 March 2018 (unaudited)					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,251,389	33,514	-	-	-	1,284,903
Obligatory reserves	54,523	7,908	28,516	8,332	2,761	102,040
Financial assets at fair value through profit or loss	65,641	-	-	1,352	42	67,035
Amounts due from credit institutions	29,669	90	44,002	10,357	2,239	86,357
Financial assets at fair value through other comprehensive income	539,329	189,836	235,494	385,174	287,028	1,636,861
Debt securities at amortized cost, net of allowance for expected credit losses	3,484	568	3,080	259,874	802,869	1,069,875
Loans to customers	269,084	314,250	1,895,294	630,809	116,528	3,225,965
Other financial assets	14,837	1,323	4,021	26,052	612	46,845
	2,227,956	547,489	2,210,407	1,321,950	1,212,079	7,519,881
FINANCIAL LIABILITIES:						
Amounts due to customers	2,494,141	366,283	2,120,857	441,246	334,029	5,756,556
Amounts due to credit institutions	31,574	866	3,139	12,894	110,013	158,486
Financial liabilities at fair value through profit or loss	1,440	3	6,571	5,842	-	13,856
Debt securities issued	3,914	111,663	110,047	501,761	197,308	924,693
Other financial liabilities	26,260	4,011	2,399	7,285	54	40,009
	2,557,329	482,826	2,243,013	969,028	641,404	6,893,600
Net position	(329,373)	64,663	(32,606)	352,922	570,675	
Accumulated gap	(329,373)	(264,710)	(297,316)	55,606	626,281	

(millions of Kazakhstani Tenge)

						31 December 2017
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,746,100	34,448	-	-	-	1,780,548
Obligatory reserves	67,863	7,264	25,913	4,372	5,627	111,039
Financial assets at fair value through profit or loss	88,026	165	37,695	9,040	10,050	144,976
Amounts due from credit institutions	41,090	26,417	14,838	3,056	2,335	87,736
Available-for-sale investment securities	370,578	166,677	347,918	639,530	1,040,722	2,565,425
Loans to customers	297,204	276,167	1,911,598	598,089	168,044	3,251,102
Other financial assets	22,224	1,245	3,868	18,121	-	45,458
	2,633,085	512,383	2,341,830	1,272,208	1,226,778	7,986,284
FINANCIAL LIABILITIES:						
Amounts due to customers	2,856,379	415,118	1,449,676	1,065,364	345,213	6,131,750
Amounts due to credit institutions	162,072	189	2,340	8,723	81,827	255,151
Financial liabilities at fair value through profit or loss	244	-	492	5,095	-	5,831
Debt securities issued	13,030	4,046	114,024	578,030	253,266	962,396
Other financial liabilities	31,529	3,034	3,370	260	12,180	50,373
	3,063,254	422,387	1,569,902	1,657,472	692,486	7,405,501
Net position	(430,169)	89,996	771,928	(385,264)	534,292	
Accumulated gap	(430,169)	(340,173)	431,755	46,491	580,783	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in ten months period after proper notification would be issued by the Group.

A significant portion of the Group’s liabilities is represented by customer term deposits, current accounts of corporate and retail customers, and bonds.

Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management.

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations of national and foreign currencies.

The Treasury Department performs daily monitoring of the Group's open currency position with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the consolidated statement of financial position and off-balance sheet positions. The Group's current sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off balance sheet items significantly neutralize the risk in the statement of financial position.

(millions of Kazakhstani Tenge)

The Group's exposure to foreign currency exchange rate risk is as follows:

							31 March 2018 (unaudited)
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	810,624	48,853	30,198	58,298	947,973	336,930	1,284,903
Obligatory reserves	34,046	720	1,171	1,578	37,515	64,525	102,040
Financial assets at fair value through profit or loss	10,439	89	31	1,610	12,169	54,866	67,035
Amounts due from credit institutions	18,624	973	17,538	-	37,135	49,222	86,357
Financial assets at fair value through other comprehensive income	501,522	8,243	1,784	16	511,565	1,125,296	1,636,861
Debt securities at amortized cost, net of allowance for expected credit losses	-	-	7,008	6,920	13,928	1,055,947	1,069,875
Loans to customers	876,760	27,391	20,212	14,583	938,946	2,287,019	3,225,965
Other financial assets	1,986	2,356	3,396	786	8,524	38,321	46,845
	2,254,001	88,625	81,338	83,791	2,507,755	5,012,126	7,519,881
FINANCIAL LIABILITIES:							
Amounts due to customers	2,788,579	118,803	52,441	28,990	2,988,813	2,767,743	5,756,556
Amounts due to credit institutions	23,377	1,185	397	1,371	26,330	132,156	158,486
Financial liabilities at fair value through profit or loss	10	82	800	-	892	12,964	13,856
Debt securities issued	406,971	-	-	-	406,971	517,722	924,693
Other financial liabilities	2,393	232	759	1,504	4,888	35,121	40,009
	3,221,330	120,302	54,397	31,865	3,427,894	3,465,706	6,893,600
Net position – on balance	(967,329)	(31,677)	26,941	51,926	(920,139)	1,546,420	626,281
Net position – off-balance	984,994	25,159	(29,743)	(44,223)	936,187	(928,350)	
Net position	17,665	(6,518)	(2,802)	7,703	16,048	618,070	

(millions of Kazakhstani Tenge)

31 December 2017

	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,109,425	46,437	45,162	61,609	1,262,633	517,915	1,780,548
Obligatory reserves	39,987	648	1,081	1,945	43,661	67,378	111,039
Financial assets at fair value through profit or loss	10,674	-	2,628	283	13,585	131,391	144,976
Amounts due from credit institutions	20,107	1,002	17,897	-	39,006	48,730	87,736
Available-for-sale investment securities	571,589	7,818	6,151	11,890	597,448	1,967,977	2,565,425
Loans to customers	888,479	40,131	22,775	14,149	965,534	2,285,568	3,251,102
Other financial assets	1,785	2,466	2,220	114	6,585	38,873	45,458
	2,642,046	98,502	97,914	89,990	2,928,452	5,057,832	7,986,284
FINANCIAL LIABILITIES:							
Amounts due to customers	3,192,513	118,900	56,485	34,852	3,402,750	2,729,000	6,131,750
Amounts due to credit institutions	25,698	690	281	943	27,612	227,539	255,151
Financial liabilities at fair value through profit or loss	-	-	213	-	213	5,618	5,831
Debt securities issued	483,213	-	353	-	483,566	478,830	962,396
Other financial liabilities	14,369	279	684	628	15,960	34,413	50,373
	3,715,793	119,869	58,016	36,423	3,930,101	3,475,400	7,405,501
Net position – on balance	(1,073,747)	(21,367)	39,898	53,567	(1,001,649)	1,582,432	580,783
Net position – off-balance	1,103,118	21,258	(37,399)	(47,001)	1,039,976	(995,954)	
Net position	29,371	(109)	2,499	6,566	38,327	586,478	

31. Segment analysis

The Group is managed and reported on the basis of three main operating segments – corporate banking, SME banking and retail banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organisations including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions which are not allocated to a particular segment, not initiated by any business function and relate to the current activity of the Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from the main and non-operating activities and insurance income. Unallocated expenses include the provision on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Group's chief operating decision maker, in accordance with IFRS 8. The Group's management reviews discrete financial information for each segment, including the evaluation of operating results, assets and liabilities.

There were no transactions between business segments during the three months ended 31 March 2018 and 2017.

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 31 March 2018 and 2017 and for the three months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 March 2018 and for the three months then ended						
External revenues	91,718	61,034	25,744	62,812	36,046	277,354
Total revenues	91,718	61,034	25,744	62,812	36,046	277,354
Total revenues comprise:						
- Interest income	39,408	56,075	14,578	51,944	-	162,005
- Fee and commission income	18,418	2,491	4,439	3	1,023	26,374
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	1,778	-	1,778
- Net gain on foreign exchange operations	33,892	2,407	6,077	9,088	3,961	55,425
- Insurance underwriting income and other income	-	-	-	-	30,417	30,417
- Recoveries of other credit loss expense/(other credit loss expense)	-	61	650	(1)	645	1,355
Total revenues	91,718	61,034	25,744	62,812	36,046	277,354
- Interest expense	(39,483)	(21,327)	(2,783)	(24,024)	-	(87,617)
- (Credit loss expense)/recovery of credit loss expense	(5,085)	7,294	(1,463)	227	(6,170)	(5,197)
- Fee and commission expense	(8,353)	(413)	(190)	-	(724)	(9,680)
- Operating expenses	(18,497)	(1,010)	(4,784)	(1,736)	(10,057)	(36,084)
- Net loss from financial assets and liabilities at fair value through profit or loss	(32,652)	(2,090)	(3,664)	(5,838)	(80)	(44,324)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(14,361)	(14,361)
Segment result	(12,352)	43,488	12,860	31,441	4,654	80,091
Income before income tax expense						80,091
Income tax expense					(10,159)	(10,159)
Profit from discontinued operation					2,585	2,585
Net income						72,517
Total segment assets	759,546	3,380,283	459,192	2,757,144	1,055,766	8,411,931
Total segment liabilities	2,956,645	2,355,106	626,195	925,048	601,528	7,464,522
Other segment items:						
Capital expenditures					(1,541)	(1,541)
Depreciation and amortization					(2,784)	(2,784)

(millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the three months ended 31 March 2017						
External revenues	117,504	(13,693)	19,103	(346)	7,251	129,819
Total revenues	117,504	(13,693)	19,103	(346)	7,251	129,819
Total revenues comprise:						
- Interest income	25,934	38,652	8,474	17,404	-	90,464
- Fee and commission income	10,915	1,252	1,956	36	226	14,385
- Net realized gain from available-for-sale securities	-	-	-	222	-	222
- Net gain/(loss) on foreign exchange operations	80,655	(53,781)	8,639	(18,008)	(2,808)	14,697
- Insurance underwriting income and other income	-	-	-	-	9,836	9,836
- Recoveries of other credit loss expense/ (other credit loss expense)	-	184	34	-	(3)	215
Total revenues	117,504	(13,693)	19,103	(346)	7,251	129,819
- Interest expense	(18,753)	(12,144)	(1,776)	(10,939)	-	(43,612)
- (Credit loss expense)/ recovery of credit loss expense	(793)	(3,626)	(745)	212	(12)	(4,964)
- Fee and commission expense	(2,647)	(97)	(44)	(23)	(129)	(2,940)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(64,540)	42,757	(6,403)	14,564	1,901	(11,721)
- Operating expenses	(9,668)	(1,044)	(2,976)	(409)	(3,357)	(17,454)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(8,309)	(8,309)
Segment result	21,103	12,153	7,159	3,059	(2,655)	40,819
Income before income tax expense						40,819
Income tax expense					(4,838)	(4,838)
Profit from discontinued operation					2,501	2,501
Net income						38,482
As at 31 December 2017:						
Total segment assets	860,802	4,023,358	528,025	2,786,877	658,719	8,857,781
Total segment liabilities	3,170,388	2,863,345	659,120	1,000,269	230,202	7,923,324
Other segment items:						
Capital expenditures					(700)	(700)
Depreciation and amortization					(1,735)	(1,735)

(millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 March 2018 and 31 December 2017 and for the three months ended 31 March 2018 and 2017.

	Kazakhstan	OECD	Non-OECD	Total
31 March 2018 (unaudited)				
Total assets	7,375,312	810,064	226,555	8,411,931
31 December 2017				
Total assets	7,833,566	768,199	256,016	8,857,781
Three months ended 31 March 2018 (unaudited)				
External revenues	269,499	4,964	2,891	277,354
Capital expenditure	(1,541)	-	-	(1,541)
Three months ended 31 March 2017 (unaudited)				
External revenues	124,926	2,336	2,557	129,819
Capital expenditure	(700)	-	-	(700)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

32. Fair values of financial instruments

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

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

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).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit/(loss) could be material.

The tables below summarizes the Group’s financial assets and liabilities held at fair value by valuation methodology at 31 March 2018 and 31 December 2017, before any allowances for impairment losses.

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value 31 March 2018 (unaudited)	Fair value 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative financial assets at fair value through profit or loss (Note 7)	65,267	105,253	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	416	147	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).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	1,352	39,576	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the 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 nil at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	67,035	144,976				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	7,285	5,339	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 year).	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss (Note 7)	6,571	492	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	The internal rate of return on KZT is calculated at the initial recognition of the instrument and is not subsequently recalculated
Total financial liabilities at fair value through profit or loss	13,856	5,831				

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value 31 March 2018 (unaudited)	Fair value 31 December 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative available-for-sale investment securities (Note 9)	n/a	1,501,882	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 9)	n/a	1,061,654	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	n/a	1,871	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 9)	n/a	18	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Available-for-sale investment securities	n/a	2,565,425				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	1,634,993	n/a	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 9)	1,850	n/a	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 9)	18	n/a	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	1,636,861	n/a				

(millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the three months ended 31 March 2018 and 2017.

	Financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehensive income Unquoted equity securities (Level 3)	Derivative financial liabilities at fair value through profit or loss (Level 3)
31 December 2016	76,683	82	-
(Loss)/gain to profit or loss	(9,749)	5	-
31 March 2017 (unaudited)	66,934	87	-
31 December 2017	39,576	18	492
(Loss)/gain to profit or loss	(38,224)	-	6,079
31 March 2018 (unaudited)	1,352	18	6,571

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 carried at fair value.

Amounts due from and to credit institutions

For assets and liabilities maturing within one month, 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 one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates at the respective period-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the period-end market rates.

(millions of Kazakhstani Tenge)

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 March 2018 (unaudited) Carrying amount	Fair value	31 December 2017 Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	86,357	85,596	87,736	85,199
Loans to customers	3,225,965	3,196,008	3,251,102	3,396,385
Debt securities at amortized cost, net of allowance for expected credit losses	1,069,875	1,086,578	n/a	n/a
Financial liabilities				
Amounts due to customers	5,756,556	5,742,741	6,131,750	6,176,030
Amounts due to credit institutions	158,486	162,315	255,151	231,465
Debt securities issued	924,693	986,433	962,396	1,034,387

				31 March 2018 (unaudited)
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	85,596	-	85,596
Loans to customers	-	-	3,196,008	3,196,008
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,086,578	-	1,086,578
Financial liabilities				
Amounts due to customers	-	5,742,741	-	5,742,741
Amounts due to credit institutions	-	162,315	-	162,315
Debt securities issued	986,433	-	-	986,433

				31 December 2017
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	85,199	-	85,199
Loans to customers	-	-	3,396,385	3,396,385
Financial liabilities				
Amounts due to customers	-	6,176,030	-	6,176,030
Amounts due to credit institutions	-	231,465	-	231,465
Debt securities issued	1,034,387	-	-	1,034,387

The carrying amounts of cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

33. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

(millions of Kazakhstani Tenge)

The Group had the following balances outstanding as at 31 March 2018 and 31 December 2017 with related parties:

	31 March 2018 (unaudited)		31 December 2017	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before expected credit losses	4,144	3,564,346	2,350	3,568,263
- the parent	-		-	
- entities with joint control or significant influence over the entity	1,962		2,193	
- key management personnel of the entity or its Parent	115		115	
- other related parties	2,067		42	
Allowance for expected credit losses	(10)	(338,381)	(10)	(317,161)
- the parent	-		-	
- entities with joint control or significant influence over the entity	(5)		(10)	
- key management personnel of the entity or its parent	(1)		-	
- other related parties	(4)		-	
Amounts due to customers	133,476	5,756,556	156,137	6,131,750
- the parent	18,166		29,773	
- entities with joint control or significant influence over the entity	3,045		3,175	
- key management personnel of the entity or its parent	8,574		9,003	
- other related parties	103,691		114,186	

Included in the interim consolidated income statement and in the interim consolidated statement of other comprehensive income for the three months ended 31 March 2018 and 2017 are the following amounts which arose due to transactions with related parties:

	Three months ended 31 March 2018 (unaudited)		Three months ended 31 March 2017 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	74	162,005	310	90,464
- entities with joint control or significant influence over the entity	28		306	
- key management personnel of the entity or its parent	4		3	
- other related parties	42		1	
Interest expense	(714)	(87,617)	(1,984)	(43,612)
- the Parent	(190)		(701)	
- entities with joint control or significant influence over the entity	(1)		(5)	
- key management personnel of the entity or its Parent	(50)		(67)	
- other related parties	(473)		(1,211)	

(millions of Kazakhstani Tenge)

	Three months ended 31 March 2018 (unaudited)		Three months ended 31 March 2017 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	100	19,604	116	10,199
- short-term employee benefits	100		116	

34. Subsequent events

On 20 April 2018, the Bank's Annual General Shareholders' Meeting decided to pay dividends on common shares of KZT 6.31 per one common share. The approved date for payment of dividends on common shares is 1 June 2018.

On 20 April 2018, the Joint General Shareholders' Meeting of the Bank and KKB approved voluntary reorganization of both institutions by merging KKB into the Bank.

On 24 April 2018, the Bank completed the sale of 60% stake in Altyn Bank JSC: 50.1% to China CITIC Bank Corporation Limited and 9.9% - to China Shuangwei Investment Co., Ltd.