JSC HALYK BANK

Interim Condensed Consolidated
Financial Information (Unaudited)
For the six months ended 30 June 2017

JSC Halyk Bank

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Statement of Management's Responsibilities
For the Preparation and Approval of the Interim Condensed Consolidated Financial Information
For the Six Months Ended 30 June 2017 (Unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2017, the results of its operations for the three and six months then ended, and cash flows and changes in equity for the six 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 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 six months ended 30 June 2017 was authorized for issue by the Management Board on 14 August 2017.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 August 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 August 2017
Almaty, Kazakhstan

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REPORT ON REVIEW OF INTERIM 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 30 June 2017 and the related interim consolidated statements of profit or loss, and other comprehensive income for the three and six months then ended, and interim consolidated statements of changes in equity and cash flows for the six 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

14 August 2017
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Interim Consolidated Statement of Financial Position
As at 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Notes	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Cash and cash equivalents	5	1,202,427	1,774,519
Obligatory reserves	6	66,127	76,122
Financial assets at fair value through profit or loss	7	100,911	328,737
Amounts due from credit institutions	8	35,154	35,542
Available-for-sale investment securities	9	998,421	599,624
Precious metals		1,888	1,684
Loans to customers	10, 32	2,195,024	2,319,583
Investment property		31,001	30,146
Commercial property		8,358	10,202
Property and equipment		89,964	94,897
Goodwill		3,085	4,954
Intangible assets		5,925	9,179
Current income tax assets	18	8,562	3,222
Deferred income tax assets	18	94	831
Insurance assets	11	27,320	28,354
Other assets	12	24,490	20,590
		4,798,751	5,338,186
Assets classified as held for sale	13	476,932	10,297
TOTAL ASSETS		**5,275,683**	**5,348,483**
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14, 32	3,481,523	3,820,662
Amounts due to credit institutions	15	132,015	162,134
Financial liabilities at fair value through profit or loss	7	4,178	2,841
Debt securities issued	16	383,602	584,933
Provisions	17	182	987
Current income tax liability	18	165	3,311
Deferred tax liability	18	20,839	23,181
Insurance liabilities	11	71,273	64,374
Other liabilities	19	17,034	20,467
		4,110,811	4,682,890
Liabilities directly associated with assets classified as held for sale	13	410,091	-
Total liabilities		**4,520,902**	**4,682,890**
EQUITY			
Share capital	20	143,695	143,695
Share premium reserve		1,886	1,911
Treasury shares		(103,041)	(103,121)
Retained earnings and other reserves		712,241	623,108
Total equity		**754,781**	**665,593**
TOTAL LIABILITIES AND EQUITY		**5,275,683**	**5,348,483**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 August 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 August 2017
Almaty, Kazakhstan

The notes on pages 10 to 52 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Consolidated Statement of Profit or Loss
For the Three and Six Months Ended 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)*	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)*
CONTINUING OPERATIONS					
Interest income	22, 32	94,241	82,705	184,705	157,871
Interest expense	22, 32	(42,310)	(39,128)	(85,922)	(78,752)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	22	51,931	43,577	98,783	79,119
Impairment charge	17	(5,868)	(6,045)	(10,831)	(10,551)
NET INTEREST INCOME		46,063	37,532	87,952	68,568
Fee and commission income	23	15,602	14,500	29,987	27,592
Fee and commission expense		(3,167)	(3,092)	(6,107)	(6,103)
Fees and commissions, net		12,435	11,408	23,880	21,489
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	24	4,234	(7,508)	(7,481)	(5,182)
Net realized gain from available-for-sale investment securities		2	798	218	1,025
Net foreign exchange (loss)/gain	25	(1,162)	7,606	13,534	5,557
Insurance underwriting income	26	11,337	7,450	20,285	12,335
Other income		1,377	1,827	2,265	2,749
OTHER NON-INTEREST INCOME		15,788	10,173	28,821	16,484
Operating expenses	27	(20,790)	(14,989)	(38,244)	(31,019)
Provisions	17	97	150	311	23
Insurance claims incurred, net of reinsurance	26	(10,774)	(6,386)	(19,083)	(11,195)
NON-INTEREST EXPENSES		(31,467)	(21,225)	(57,016)	(42,191)
INCOME BEFORE INCOME TAX EXPENSE		42,819	37,888	83,637	64,350
Income tax expense	18	(5,069)	(5,429)	(9,907)	(11,062)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		37,750	32,459	73,730	53,288
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	13	2,650	1,755	5,152	3,849
NET PROFIT		**40,400**	**34,214**	**78,882**	**57,137**
Attributable to:					
Owners of the Parent		**40,400**	**34,214**	**78,882**	**57,137**
EARNINGS PER SHARE	28				
Basic earnings per share (in Kazakhstani Tenge)		3.68	3.10	7.17	5.20
Diluted earnings per share (in Kazakhstani Tenge)		3.68	3.10	7.17	5.19
Basic earnings per share from continuing operations (in Kazakhstani Tenge)		3.43	2.97	6.71	4.88
Diluted earnings per share from continuing operations (in Kazakhstani Tenge)		3.43	2.97	6.71	4.88

*Recalculated due to presentation of JSC Altyn Bank as discontinued operations. For further reference, please see note 13.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 August 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 August 2017
Almaty, Kazakhstan

The notes on pages 10 to 52 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Consolidated Statement of Other Comprehensive Income
For the Three and Six Months Ended 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Net income	40,400	34,214	78,882	57,137
Other comprehensive income:				
Items that will not to be subsequently reclassified to profit or loss:				
Loss on revaluation of property (net of tax – KZT Nil)	(1)	(26)	(2)	(209)
Items that may be subsequently reclassified to profit or loss:				
Gain on revaluation of available-for-sale investment securities (net of tax – KZT Nil)	4,417	8,304	10,145	322
Reclassification adjustment relating to available-for-sale investment securities impaired during the period (net of tax – KZT Nil)	-	(143)	-	318
Reclassification adjustment relating to available-for-sale investment securities disposed of in the period (net of tax – KZT Nil)	(2)	(798)	(218)	(1,025)
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	279	215	330	1,838
Other comprehensive income for the period	4,693	7,552	10,255	1,244
Total comprehensive income	**45,093**	**41,766**	**89,137**	**58,381**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 August 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 August 2017
Almaty, Kazakhstan

The notes on pages 10 to 52 form an integral part of this interim condensed consolidated financial information.

Interim Consolidated Statement of Changes in Equity
For the Six Months Ended 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Share capital 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	-	-	-	-	-	-	78,882	78,882
Other comprehensive income/(loss)	-	-	-	330	9,927	(2)	-	10,255
Total comprehensive income/(loss)	-	-	-	330	9,927	(2)	78,882	89,137
Treasury shares purchased	-	(25)	(145)	-	-	-	-	(170)
Treasury shares sold	-	-	225	-	-	-	-	225
Insurance bonuses to the insured	-	-	-	-	-	-	(4)	(4)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(344)	344	-
30 June 2017 (unaudited)	143,695	1,886	(103,041)	5,427	(5,752)	16,263	696,303	754,781

JSC Halyk Bank

Interim Consolidated Statement of Changes in Equity (Continued)
For the Six Months Ended 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Share capital				Treasury shares						
	Common Shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total equity
31 December 2015	83,571	46,891	13,233	2,039	(39,974)	(63,201)	4,695	(19,404)	16,416	485,662	529,928
Net income	-	-	-	-	-	-	-	-	-	57,137	57,137
Other comprehensive income/(loss)	-	-	-	-	-	-	1,838	(385)	(209)	-	1,244
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**1,838**	**(385)**	**(209)**	**57,137**	**58,381**
Exchange of preferred shares to common shares	60,124	(46,891)	(13,233)	(96)	(63,201)	63,201	-	-	-	-	(96)
Treasury shares purchased	-	-	-	-	(206)	-	-	-	-	-	(206)
Treasury shares sold	-	-	-	3	239	-	-	-	-	-	242
Dividends - preferred shares	-	-	-	-	-	-	-	-	-	(333)	(333)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(168)	168	-
30 June 2016 (unaudited)	**143,695**	**-**	**-**	**1,946**	**(103,142)**	**-**	**6,533**	**(19,789)**	**16,039**	**542,634**	**587,916**

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 August 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 August 2017
Almaty, Kazakhstan

The notes on pages 10 to 52 form an integral part of this interim condensed consolidated financial information.

Interim Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from cash equivalents and amounts due from credit institutions	7,183	9,081
Interest received from financial assets at fair value through profit or loss	27	41
Interest received on available-for-sale investment securities	8,212	10,112
Interest received on held to maturity investments	-	414
Interest received from loans to customers	129,322	120,620
Interest paid on due to customers	(65,272)	(57,125)
Interest paid on due to credit institutions	(2,045)	(4,102)
Interest paid on debt securities issued	(21,246)	(23,215)
Fee and commission received	29,661	25,669
Fee and commission paid	(5,813)	(6,484)
Insurance underwriting income received	20,099	6,834
Ceded insurance share received/(paid)	382	(3,027)
Payment for derivative operations	(250)	(6,137)
Other income received	2,265	2,761
Operating expenses paid	(35,801)	(25,570)
Insurance reimbursements paid	(13,087)	(7,911)
Cash flows from operating activities before changes in net operating assets	53,637	41,961
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	9,995	(8,465)
Financial assets at fair value through profit or loss	225,182	(298,667)
Amounts due from credit institutions	(270)	2,570
Precious metals	(271)	41
Loans to customers	99,529	12,638
Assets held-for-sale	-	(198)
Insurance assets	2,379	(5,455)
Other assets	(49,028)	898
(Decrease)/increase in operating liabilities:		
Amounts due to customers	(265,453)	392,348
Amounts due to credit institutions	(25,968)	(16,826)
Financial liabilities at fair value through profit or loss	1,338	(5,137)
Insurance liabilities	(549)	14,647
Other liabilities	(1,289)	6,569
Net cash inflow from operating activities before income tax	49,232	136,924
Income tax (paid)/received	(20,291)	7,544
Net cash inflow from operating activities	28,941	144,468
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of available-for-sale investment securities	55,329	49,355
Purchase of available-for-sale investment securities	(426,788)	(27,672)
Purchase of held to maturity investments	-	(43,374)
Proceeds from maturity of held to maturity investments	-	1,996
Purchase and prepayment for property and equipment and intangible assets	(2,356)	(18,285)
Proceeds on sale of property and equipment	1,658	9,621
Proceeds on sale of commercial property	678	-
Capital expenditure on commercial property	(305)	-
Net cash outflow from investing activities	(371,784)	(28,359)

Interim Consolidated Statement of Cash Flows (Continued)
For the Six Months Ended 30 June 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of compensation for exchange of preferred shares to common shares		-	(96)
Proceeds on sale of treasury shares		225	242
Purchase of treasury shares		(170)	(206)
Dividends paid – preferred shares		-	(333)
Redemption and repayment of debt securities issued		(184,573)	(21,887)
Proceeds from debt securities issued		957	16,983
Net cash outflow from financing activities		(183,561)	(5,297)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(45,688)	4,880
Net change in cash and cash equivalents		(572,092)	115,692
CASH AND CASH EQUIVALENTS, beginning of the period	**5**	**1,774,519**	**1,404,680**
CASH AND CASH EQUIVALENTS, end of the period	**5**	**1,202,427**	**1,520,372**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 August 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 August 2017
Almaty, Kazakhstan

The notes on pages 10 to 52 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 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 30 June 2017, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 360 cash settlement units (31 December 2016 – 22, 122 and 365, respectively) located throughout Kazakhstan. The Bank's registered office adderess is: 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 30 June 2017, the number of the Group's full-time equivalent employees was 11,209 (31 December 2016 – 11,402).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2017 was authorized for issue by the Management Board on 14 August 2017.

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 NBRK 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 30 June 2017, the base rate was at 10.5% ± 1% (as at 31 December 2016 – 12% ± 1%). Due to the relatively high cost of funds during 2016, loan demand in Kazakhstan remained relatively weak, whereas tenge liquidity in the banking system demonstrated significant surplus. To sterilize the excess tenge liquidity and to create tenge-denominated investment instruments, the NBRK started issuing short-term notes in the second quarter 2016 at an interest rate equal to the base rate. This measure allowed Kazakh commercial banks to invest the excess tenge liquidity. Compared to year-end 2016, operating environment in the first half of 2017 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)

As at 30 June 2017 and 31 December 2016, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

30 June 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	1,852,336,680	16.8%	1,852,336,680	16.8%
Other	339,887,857	3.1%	339,887,857	3.1%
Total shares in circulation (on consolidated basis)	10,994,958,055	100%	10,994,958,055	100%

31 December 2016

	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	1,853,975,480	16.8%	1,853,975,480	16.8%
Other	336,910,333	3.1%	336,910,333	3.1%
Total shares in circulation (on consolidated basis)	10,993,619,331	100%	10,993,619,331	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 2016 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 2016 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 2016 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, % 30 June 2016 (unaudited)	Holding, % 31 December 2015	Country	Industry
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 13.

On 2 March 2017, JSC Halyk Bank signed a non-binding Memorandum of Understanding ("MoU") with respect to the potential acquisition of a controlling interest in JSC Kazkommertsbank ("KKB"). The parties to the MoU include, amongst others, the Government of the Republic of Kazakhstan, the NBRK, the Bank, KKB, JSC BTA Bank and Mr. K. Rakishev (being a major shareholder in KKB). The MoU specifies key principles of the potential transaction, including the actions required for its implementation and the participation of the state.

On 2 June 2017, the Government of the Republic of Kazakhstan (represented by the Ministry of Finance of the Republic of Kazakhstan), the NBRK, JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), JSC Problem Loans Fund, the Bank, JSC BTA Bank, KKB and Mr. K. Rakishev signed a Framework Agreement. This Agreement is made pursuant to the MoU and stipulates legally binding actions to be taken by each party in the course of the transaction.

On 15 June 2017, the Bank announced the signing of the sale and purchase agreements with Mr. K. Rakishev to acquire 86.09% of ordinary shares in KKB for a consideration of 1 Kazakhstan tenge, and separately with "Samruk-Kazyna" to acquire 10.72% of ordinary shares in KKB also for a consideration of 1 Kazakhstan tenge.

For further information about the purchase of KKB, please see note 33.

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 2016, except for the adoption of new standards and amendments effective as at 1 January 2017. The nature and the impact of each amendment that is relevant to the Group's operations is described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative.* The amendments require the Group to provide disclosures that enable to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendments apply prospectively. Entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its financial statements for the year ended 31 December 2017.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses.* The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

This application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

The application of these amendments has no material effect on the Group's financial information.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*.

IFRS 17 *Insurance Contracts* was issued in May 2017 and supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. It is not practicable to provide a reasonable estimate of the effect of IFRS 17 until a detailed review has been completed by management.

(millions of Kazakhstani Tenge)

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 2016 prepared in accordance with IFRS.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2017 (unaudited)	31 December 2016
Cash on hand	135,299	149,124
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	78,021	181,144
Short-term deposits with OECD based banks	290,156	428,526
Overnight deposits with OECD based banks	-	79,992
Overnight deposits with Kazakhstan banks	2,001	-
Correspondent accounts with NBRK	624,467	915,675
Short-term deposits with NBRK	-	4,002
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	59,049	2,592
Correspondent accounts with non-OECD based banks	11,002	11,459
Short-term deposits with non-OECD based banks	2,432	2,005
	1,202,427	1,774,519

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

	30 June 2017 (unaudited)		31 December 2016	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	1.0%-1.4%	-	0.7%-1.5%
Overnight deposits with OECD based banks	-	-	-	0.5%-0.7%
Overnight deposits with Kazakhstan banks	-	11.5%	-	-
Short-term deposits with NBRK	-	-	11.0%	-
Short-term deposits with Kazakhstan banks	9.5%-11.0%	-	12.5%	-
Short-term deposits with non-OECD based banks	-	5.0%-8.1%	-	6.6%-7.0%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Notes of NBRK	57,963	54,942	-	-
Treasury bills of the Ministry of Finance of Kazakhstan	1,086	1,156	1,591	1,519
	59,049	56,098	1,591	1,519

As at 30 June 2017 and 31 December 2016, maturities of loans under reverse repurchase agreements were less than one month.

(millions of Kazakhstani Tenge)

6. Obligatory reserves

Obligatory reserves comprise:

	30 June 2017 (unaudited)	31 December 2016
Recorded as loans and receivables in accordance with IAS 39:		
Cash and due from banks allocated to obligatory reserves	66,127	76,122
	66,127	76,122

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan and Georgia and the Central Bank of Russian Federation. As at 30 June 2017, obligatory reserves of the Bank's subsidiaries - OJSC Halyk Bank Kyrgyzstan, OJSC NBK-Bank and JSC Halyk Bank Georgia comprised KZT 6,391 million (31 December 2016 – KZT 12,767 million).

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

Financial assets at fair value through profit or loss comprise:

	30 June 2017 (unaudited)	31 December 2016
Financial assets held for trading:		
Derivative financial instruments	71,466	77,776
Notes of NBRK	28,027	249,574
Corporate bonds	761	743
Bonds of JSC Development Bank of Kazakhstan	213	215
Equity securities of Kazakhstan corporations	131	88
Equity securities of foreign organisations	108	102
Bonds of Kazakhstan banks	107	137
Bonds of foreign organisations	98	102
	100,911	328,737

Financial liabilities at fair value through profit or loss comprise:

	30 June 2017 (unaudited)	31 December 2016
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	4,178	2,841

Interest rates, yield to maturity on financial assets at fair value through profit or loss are as follows:

	30 June 2017 (unaudited) Interest rate, %	31 December 2016 Interest rate, %
Notes of NBRK	11.7%	13.2%
Corporate bonds	6.0%	6.6%
Bonds of JSC Development Bank of Kazakhstan	5.9%	5.9%
Bonds of Kazakhstan banks	9.4%	9.7%
Bonds of foreign organisations	6.7%	6.9%

(millions of Kazakhstani Tenge)

Derivative financial instruments comprise:

	30 June 2017 (unaudited)			31 December 2016		
	Notional amount	Asset	Fair value Liability	Notional amount	Asset	Fair value Liability
Foreign currency contracts:						
Swaps	231,158	71,400	4,099	228,905	77,655	2,833
Forwards	645	-	11	4,644	107	-
Spots and options	18,310	66	68	3,583	14	8
		71,466	4,178		77,776	2,841

As at 30 June 2017 and 31 December 2016, 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:

	30 June 2017 (unaudited)	31 December 2016
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	20,543	18,678
Loans to credit institutions	5,698	11,256
Deposit pledged as collateral for derivative financial instruments	8,913	5,608
	35,154	35,542
Less – Allowance for impairment (Note 17)	-	-
	35,154	35,542

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

	30 June 2017 (unaudited)		31 December 2016	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Term deposits	0.5%-18.0%	2017-2018	0.5%-18.0%	2017-2018
Loans to credit institutions	8.2%-10.3%	2017	8.2%-10.3%	2017
Deposit pledged as collateral for derivative financial instruments	0.6%-1.8%	2018	0.2%-1.8%	2018

(millions of Kazakhstani Tenge)

9. Available-for-sale investment securities

Available-for-sale investment securities comprise:

	30 June 2017 (unaudited)	31 December 2016
Notes of NBRK	538,896	199,390
Treasury bills of the Ministry of Finance of Kazakhstan	172,472	138,018
Corporate bonds	107,873	103,464
Treasury bills of the USA	96,297	91,534
Bonds of JSC Development Bank of Kazakhstan	55,339	37,640
Treasury bills of Hungary	7,799	7,762
Bonds of Kazakhstan banks	7,531	10,223
Bonds of foreign organizations	4,442	3,138
Equity securities of Kazakhstan corporations	3,044	4,719
Treasury bills of Georgia	2,258	2,116
Treasury bills of the Kyrgyz Republic	1,230	705
Treasury bills of the Russian Federation	830	820
Equity securities of foreign corporations	410	95
	998,421	599,624

As at 30 June 2017 and 31 December 2016, available-for-sale investment securities included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 1,089 million and KZT 15,201 million, respectively, which were pledged under repurchase agreements with other banks (see Note 15). All repurchase agreements as at 30 June 2017 and 31 December 2016 mature on 1 July 2017 and 4 January 2017, respectively.

Interest rates, yield to maturity and maturities of available-for-sale investment securities 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 securities.

	30 June 2017 (unaudited)		31 December 2016	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Notes of NBRK	10.0%	2017-2018	13.4%	2017
Treasury bills of the Ministry of Finance of Kazakhstan	6.3%	2017-2031	5.7%	2017-2031
Corporate bonds	6.4%	2017-2049	5.8%	2017-2031
Treasury bills of the USA	1.0%	2017	0.4%	2017
Bonds of JSC Development Bank of Kazakhstan	6.3%	2022-2026	4.5%	2022-2026
Treasury bills of Hungary	3.2%	2023	3.2%	2023
Bonds of Kazakhstan banks	12.7%	2018-2049	11.2%	2017-2049
Bonds of foreign organisations	7.9%	2017-2039	6.3%	2017-2024
Treasury bills of Georgia	10.7%	2019-2025	10.4%	2017-2024
Treasury bills of the Kyrgyz Republic	5.2%	2017-2021	10.2%	2017
Treasury bills of the Russian Federation	8.1%	2021	8.1%	2021

10. Loans to customers

Loans to customers comprise:

	30 June 2017 (unaudited)	31 December 2016
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	2,477,324	2,602,381
Overdrafts	393	1,954
	2,477,717	2,604,335
Less – Allowance for loan impairment losses (Note 17)	(282,693)	(284,752)
Loans to customers	2,195,024	2,319,583

(millions of Kazakhstani Tenge)

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 30 June 2017 average interest rate on loans was 12.5% (for the year ended 31 December 2016 –13.0%).

As at 30 June 2017, the Group's loan concentration to the ten largest borrowers was KZT 497,161 million, which comprised 20% of the Group's total gross loan portfolio (as at 31 December 2016 – KZT 494,953 million; 19%) and 66% of the Group's total equity (as at 31 December 2016 – 74%).

As at 30 June 2017, the allowance for loan impairment losses created against these loans was KZT 48,791 million (as at 31 December 2016 – KZT 49,762 million).

As at 30 June 2017 and 31 December 2016, loans were extended to customers operating in the following sectors:

	30 June 2017 (unaudited)	%	31 December 2016	%
Retail loans:				
- consumer loans	433,764	18%	433,291	17%
- mortgage loans	164,822	7%	187,772	7%
	598,586		621,063	
Services	421,458	17%	413,150	16%
Wholesale trade	315,656	13%	383,261	15%
Construction	181,036	8%	191,171	7%
Retail trade	155,146	6%	157,146	6%
Real estate	157,413	6%	150,662	6%
Agriculture	116,387	5%	121,368	5%
Transportation	127,793	5%	101,965	4%
Mining	53,094	2%	78,528	3%
Energy	58,725	2%	69,690	3%
Financial services	33,508	1%	44,645	2%
Communication	57,155	2%	61,461	2%
Oil and gas	16,887	1%	33,815	1%
Hotel industry	32,941	1%	34,706	1%
Food industry	37,551	2%	34,797	1%
Chemical industry	27,273	1%	28,051	1%
Machinery	25,993	1%	22,559	1%
Metallurgy	26,794	1%	23,290	1%
Light industry	8,970	0%	8,911	0%
Other	25,351	1%	24,096	1%
	2,477,717	100%	2,604,335	100%

As at 30 June 2017, accrued interest on loans comprised KZT 144,743 million (as at 31 December 2016 – KZT 142,046 million).

As at 30 June 2017 and 31 December 2016 loans to customers included loans of KZT 145,906 million and KZT 149,024 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

11. Insurance assets and liabilities

Insurance assets comprised the following:

	30 June 2017 (unaudited)	31 December 2016
Unearned reinsurance premium	15,137	15,519
Reinsurance amounts	4,061	2,294
	19,198	17,813
Premiums receivable	8,122	10,541
Insurance assets	27,320	28,354

(millions of Kazakhstani Tenge)

Insurance liabilities comprised the following:

	31 June 2017 (unaudited)	31 December 2016
Reserves for insurance claims	41,494	33,731
Gross unearned insurance premium reserve	23,305	23,120
	64,799	56,851
Payables to reinsurers and agents	6,474	7,523
Insurance liabilities	71,273	64,374

12. Other assets

Other assets comprise:

	30 June 2017 (unaudited)	31 December 2016
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	7,591	8,397
Accrued commission income	1,977	1,652
Debtors on non-banking activities	1,415	1,212
Others	19	12
	11,002	11,273
Less – Allowance for impairment (Note 17)	(4,280)	(4,516)
	6,722	6,757
Other non-financial assets:		
Prepayments for investment property	11,045	7,559
Advances for taxes other than income tax	1,441	1,077
Prepayments for property and equipment	1,103	1,263
Inventory	1,072	1,323
Other investments	158	168
Others	2,949	2,443
	17,768	13,833
	24,490	20,590

13. Assets and liabilities classified as held for sale

On 7 June 2017, the Bank signed an agreement with China CITIC Bank Corporation Limited ("CITIC Bank") and China Shuangwei Investment Co., Ltd. ("Shuangwei") on the sale of 60% in share capital of JSC Altyn Bank. To implement the agreements reached, the parties, among other things, will have to obtain necessary approvals from the competent authorities of the People's Republic of China and the Republic of Kazakhstan and meet other conditions customary for such transactions.

According to the decision of the Group's management, investments in JSC Altyn Bank have been reclassified into an asset held for sale in accordance with IFRS 5 as of 30 June 2017.

(millions of Kazakhstani Tenge)

As at 30 June 2017, assets and liabilities classified as held for sale comprised the following:

	30 June 2017 (unaudited)
Land plots	9,236
Real estate	6,375
Assets classified as held for sale related to JSC Altyn Bank	461,321
Total assets classified as held for sale	476,932
Liabilities directly associated with assets classified as held for sale	410,091

The major classes of assets and liabilities of JSC Altyn Bank as at 30 June 2017 were as follows:

	30 June 2017 (unaudited)
Cash and cash equivalents	220,653
Financial assets at fair value through profit or loss	29,972
Available-for-sale investment securities	104,376
Loans to customers	97,014
Property, equipment and intangible assets	5,380
Goodwill	1,869
Other assets	2,057
Assets of JSC Altyn Bank classified as held for sale	461,321
Amounts due to customers	399,486
Amounts due to credit institutions	7,952
Other liabilities	2,653
Liabilities of JSC Altyn Bank directly associated with assets classified as held for sale	410,091
Net assets of JSC Altyn Bank classified as held for sale	51,230

(millions of Kazakhstani Tenge)

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

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Interest income	6,388	5,696	12,133	9,661
Interest expense	(2,887)	(2,595)	(5,575)	(4,932)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	3,501	3,101	6,558	4,729
Recovery of provisions/ (impairment charge)	282	(148)	391	(147)
NET INTEREST INCOME	3,783	2,953	6,949	4,582
Fee and commission income	429	385	795	749
Fee and commission expense	(314)	(189)	(534)	(381)
Fees and commissions, net	115	196	261	368
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(26)	(65)	196	603
Net realized gain from available-for-sale investment securities	2	-	8	-
Net foreign exchange gain	590	712	1,027	2,317
Other income	32	4	33	12
OTHER NON-INTEREST INCOME	598	651	1,264	2,932
Operating expenses	(1,687)	(1,636)	(3,054)	(3,165)
(Other provisions)/recovery of other provisions	(3)	1	25	17
NON-INTEREST EXPENSES	(1,690)	(1,635)	(3,029)	(3,148)
INCOME BEFORE INCOME TAX EXPENSE	2,806	2,165	5,445	4,734
Income tax expense	(156)	(410)	(293)	(885)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2,650	1,755	5,152	3,849

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash inflow/(outflow) from operating activities	105,386	(4,003)
Net cash outflow from investing activities	(87,102)	(66,283)
Net cash flow from financing activities	-	-
Net cash inflow/(outflow)	18,284	(70,286)

(millions of Kazakhstani Tenge)

14. Amounts due to customers

Amounts due to customers include the following:

	30 June 2017 (unaudited)	31 December 2016
Recorded at amortized cost:		
Term deposits:		
Individuals	1,425,255	1,470,536
Legal entities	928,166	1,267,589
	2,353,421	2,738,125
Current accounts:		
Legal entities	894,677	837,625
Individuals	233,425	244,912
	1,128,102	1,082,537
	3,481,523	3,820,662

As at 30 June 2017, the ten largest groups of related customers accounted for approximately 32% of the total amounts due to customers (31 December 2016 − 32%), where each group of related customers represents customers related to each other within that group.

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.

Customer accounts by sectors were as follows:

	30 June 2017 (unaudited)	Share	31 December 2016	Share
Individuals and entrepreneurs	1,658,680	48%	1,715,448	45%
Oil and gas	640,882	18%	743,744	19%
Other consumer services	234,501	7%	171,245	5%
Government	120,471	3%	86,162	2%
Transportation	113,338	3%	185,039	5%
Wholesale trade	103,369	3%	166,918	4%
Metallurgy	101,805	3%	77,103	2%
Healthcare and social services	76,663	2%	61,184	2%
Construction	63,591	2%	81,113	2%
Education	62,575	2%	35,723	1%
Financial sector	57,525	2%	215,936	6%
Communication	53,978	1%	52,550	1%
Energy	25,000	1%	33,729	1%
Insurance and pension funds activity	20,631	1%	13,281	0%
Other	148,514	4%	181,487	5%
	3,481,523	100%	3,820,662	100%

(millions of Kazakhstani Tenge)

15. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2017 (unaudited)	31 December 2016
Recorded at amortized cost:		
Loans from JSC Entrepreneurship Development Fund DAMU	39,375	36,552
Loans from JSC National Managing Holding KazAgro	36,425	38,534
Loans from JSC Development Bank of Kazakhstan	21,380	21,372
Loans and deposits from Kazakhstan banks (incl. overnight deposits)	18,057	21,924
Correspondent accounts	11,121	27,882
Loans and deposits from non-OECD based banks	2,881	7,109
Loans from other financial institutions	2,343	2,903
Loans and deposits from OECD based banks	433	5,858
	132,015	162,134

As at 30 June 2017, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 39,175 million (31 December 2016 – KZT 36,367 million) at 2.0% interest rate maturing in 2034-2035 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 30 June 2017, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 36,376 million (31 December 2016 - KZT 38,483 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.

As at 30 June 2017, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 16,000 million (31 December 2016 – KZT 16,000 million) at 2.0% interest rate maturing in 2034-2035 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 5,300 million (31 December 2016 – 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.

The Management of the Group believes that there are no other similar financial instruments and due to its specific nature, the loans from KazAgro, DAMU and DBK represent separate segments in retail, SME and corporate lending. As a result, these loans were received in an orderly transaction and as such have been recorded at fair value at the recognition date.

(millions of Kazakhstani Tenge)

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

	30 June 2017 (unaudited)		31 December 2016	
	Interest Rate	Maturity, year	Interest Rate	Maturity, year
Loans from JSC Entrepreneurship Development Fund DAMU	2.0%	2017-2035	2.0%	2017-2035
Loans from JSC National Managing Holding KazAgro	3.0%	2019-2022	3.0%	2019-2022
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2034-2035	1.0%-2.0%	2034-2035
Loans and deposits from Kazakhstan banks (incl. overnight deposits)	1.1%-10.0%	2017	8.8%-11.1%	2017
Loans and deposits from non-OECD based banks	1.0%-8.0%	2017-2022	1.0%-10.0%	2017-2021
Loans from other financial institutions	10.0%	2023	5.0%-10.0%	2017-2023
Loans and deposits from OECD based banks	2.9%	2017	2.6%-6.5%	2017-2023

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 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (unaudited)		31 December 2016	
	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	1,089	1,057	15,201	15,009
	1,089	1,057	15,201	15,009

Details of transferred financial assets that are not derecognized in their entirety as at 30 June 2017 and 31 December 2016 are disclosed below.

The Group uses loans under repurchase agreements to ensure current KZT cash flows for its operating activities. The Group uses regularly this type of instrument to attract short-term liquidity and plans to continue raising funds through loan repurchase agreements should it become 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.

	Available-for-sale investment securities (Note 9)
As at 30 June 2017 (unaudited):	
Carrying amount of transferred assets	1,089
Carrying amount of associated liabilities	1,057
As at 31 December 2016:	
Carrying amount of transferred assets	15,201
Carrying amount of associated liabilities	15,009

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.

(millions of Kazakhstani Tenge)

The Group's management believes that as at 30 June 2017 and 31 December 2016, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

16. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2017 (unaudited)	31 December 2016
Recorded at amortized cost:		
Unsubordinated debt securities issued:		
USD denominated bonds	157,534	359,355
KZT denominated bonds	226,068	225,578
Total unsubordinated debt securities outstanding	383,602	584,933
Total debt securities issued	383,602	584,933

On 3 May 2017, the Group repaid in full at maturity its 10-year 7.25% coupon rate USD 638,029,000 Eurobond issue.

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

	30 June 2017 (unaudited)		31 December 2016	
	Coupon rate	Maturity, year	Coupon Rate	Maturity, year
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%	2021	7.3%	2017-2021
KZT denominated bonds	7.5%	2024-2025	7.5%	2024-2025

As at 30 June 2017, accrued interest on debt securities issued was KZT 9,461 million (as at 31 December 2016 – KZT 11,894 million).

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 30 June 2017 and 31 December 2016 the Group was in compliance with the covenants of the agreements that the Group has with the notes' trustees and holders.

(millions of Kazakhstani Tenge)

17. Allowances for impairment losses and provisions

The movements in accumulated impairment of available-for-sale investment securities, the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers (Note 10)	Amounts due from credit institutions (Note 8)	Available-for-sale investment securities	Other assets (Note 12)	Total
31 March 2017 (unaudited)	(280,260)	-	(3,672)	(4,308)	(288,240)
Additional provisions recognized	(49,818)	-	(113)	(1,076)	(51,007)
Recovery of provision	43,610	-	469	1,060	45,139
Write-offs	3,501	-	-	63	3,564
Disposal of a subsidiary	2,603	-	-	7	2,610
Foreign exchange differences	(2,329)	-	(4)	(26)	(2,359)
30 June 2017 (unaudited)	(282,693)	-	(3,320)	(4,280)	(290,293)
31 March 2016 (unaudited)	(308,364)	-	(5,745)	(4,515)	(318,624)
Additional provisions recognized	(35,007)	-	(133)	(1,509)	(36,649)
Recovery of provision	28,882	-	276	1,297	30,455
Write-offs	12,495	-	630	31	13,156
Foreign exchange differences	1,477	-	5	88	1,570
30 June 2016 (unaudited)	(300,517)	-	(4,967)	(4,608)	(310,092)
31 December 2016	(284,752)	-	(3,884)	(4,516)	(293,152)
Additional provisions recognized	(86,029)	-	(150)	(2,070)	(88,249)
Recovery of provision	74,606	-	718	2,094	77,418
Write-offs	8,166	-	-	174	8,340
Disposal of a subsidiary	2,603	-	-	7	2,610
Foreign exchange differences	2,713	-	(4)	31	2,740
30 June 2017 (unaudited)	(282,693)	-	(3,320)	(4,280)	(290,293)
31 December 2015	(305,114)	(7)	(5,516)	(4,568)	(315,205)
Additional provisions recognized	(64,707)	-	(655)	(3,044)	(68,406)
Recovery of provision	54,485	7	337	2,879	57,708
Write-offs	14,585	-	866	48	15,499
Foreign exchange differences	234	-	1	77	312
30 June 2016 (unaudited)	(300,517)	-	(4,967)	(4,608)	(310,092)

During the six months ended 30 June 2017 and 2016, the Group has written off loans of KZT 8,166 million and KZT 14,585 million, respectively, without being considered forgiveness of the loan, therefore for tax purposes such write-offs are not subject to corporate income tax. Provision represents provisions against letters of credit and guarantees issued.

(millions of Kazakhstani Tenge)

The movements in provisions were as follows:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
At the beginning of the period	(723)	(1,132)	(987)	(982)
Additional provisions recognized	(293)	(41)	(453)	(265)
Recovery of provisions	390	191	764	305
Disposal of a subsidiary	501	-	501	-
Foreign exchange differences	(57)	26	(7)	(14)
At the end of the period	(182)	(956)	(182)	(956)

18. Taxation

The Bank and its subsidiaries, except OJSC NBK-Bank, OJSC Halyk Bank Kyrgyzstan and JSC Halyk Bank Georgia, which operate abroad, are subject to taxation in Kazakhstan. OJSC NBK-Bank is 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.

The income tax expense comprises:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Current tax charge	3,211	5,553	12,069	12,360
Deferred tax (benefit)/expense relating to origination and reversal of temporary differences	1,858	(124)	(2,162)	(1,298)
Income tax expense	5,069	5,429	9,907	11,062

Deferred tax assets and liabilities comprise:

	30 June 2017 (unaudited)	31 December 2016
Tax effect of deductible temporary differences:		
Fair value of derivatives	3,221	1,737
Bonuses accrued	1,397	1,821
Vacation pay accrual	428	361
Tax loss carry forward	-	408
Other	15	19
Deferred tax asset	5,061	4,346
Tax effect of taxable temporary differences:		
Fair value of derivatives and available-for-sale investment securities	(13,908)	(13,929)
Property and equipment, accrued depreciation	(7,756)	(8,400)
Allowance for loans to customers	(3,912)	(3,895)
Core deposit intangible	-	(259)
Other	(230)	(213)
Deferred tax liability	(25,806)	(26,696)
Net deferred tax liability	(20,745)	(22,350)

(millions of Kazakhstani Tenge)

Current income tax assets/(liabilities) comprise:

	30 June 2017 (unaudited)	31 December 2016
Current income tax assets	8,562	3,222
Current income tax liabilities	(165)	(3,311)
Current income tax asset/(liability)	8,397	(89)

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:

	30 June 2017 (unaudited)	31 December 2016
Deferred tax asset	94	831
Deferred tax liability	(20,839)	(23,181)
Net deferred tax liability	(20,745)	(22,350)

Management believes that the Group is in compliance with the tax laws applicable to its operations; however, there is a risk that relevant authorities could take differing positions interpreting those laws.

19. Other liabilities

Other liabilities comprise:

	30 June 2017 (unaudited)	31 December 2016
Other financial liabilities:		
Salary payable	8,883	11,205
Payable for general and administrative expenses	1,792	612
Creditors on bank activities	695	800
Creditors on non-banking activities	592	782
Others	350	583
	12,312	13,982
Other non-financial liabilities:		
Taxes payable other than income tax	2,807	2,832
Advances received	1,545	1,382
Amounts due to original investors on commercial property	370	2,271
	4,722	6,485
Total other liabilities	17,034	20,467

20. Equity

Authorized, issued and fully paid number of shares as at 30 June 2017 and 2016 were as follows:

30 June 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	(1,693,899,004)	10,994,958,055

31 December 2016	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	(1,695,237,728)	10,993,619,331

(millions of Kazakhstani Tenge)

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2016	10,993,619,331	-	-	40,574	-	-
Purchases of treasury shares	(2,624,226)	-	-	(145)	-	-
Sale of treasury shares	3,962,950	-	-	225	-	-
30 June 2017 (unaudited)	10,994,958,055	-	-	40,654	-	-
31 December 2015	10,909,450,551	20,443,932	369,555	43,597	(5,154)	2,077
Purchases of treasury shares	(5,780,591)	-	-	(206)	-	-
Sale of treasury shares	5,256,437	-	-	239	-	-
Exchange of preferred shares to common shares	84,553,792	(20,443,932)	(369,555)	(3,077)	5,154	(2,077)
30 June 2016 (unaudited)	10,993,480,189	-	-	40,553	-	-

Common shares

As at 30 June 2017 and 31 December 2016, share capital comprised KZT 143,695 million.
At 30 June 2017, the Group held its own 1,693,899,004 common shares for KZT 103,041 million as treasury shares (31 December 2016 – 1,695,237,728 shares for KZT 103,121 million).

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

21. Commitments and contingencies

Financial commitments and contingencies

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

	30 June 2017 (unaudited)	31 December 2016
Guarantees issued	193,709	173,226
Commercial letters of credit	60,977	27,026
Commitments to extend credit	8,475	15,445
Financial commitments and contingencies	263,161	215,697
Less: cash collateral against letters of credit	(44,642)	(10,034)
Less: provisions (Note 17)	(182)	(987)
Financial commitments and contingencies, net	218,337	204,676

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 30 June 2017, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 69% of the Group's total financial guarantees (as at 31 December 2016 – 70%) and represented 18% of the Group's total equity (as at 31 December 2016 – 18%).

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 30 June 2017, unsecured letters of credit accounted for 27% of the Group's total commercial letters of credit (31 December 2016 – 61%) and represented 2% of the Group's total equity (31 December 2016 – 2%).

The Group requires collateral to support credit-related financial instruments, unless it is deemed unnecessary as a result of a borrower's credit risk evaluation or analysis of other deposit accounts held by the Group. Collateral held varies and may include deposits held in the banks, government securities and other assets.

Capital commitments

As at 30 June 2017 and 31 December 2016, the Group's capital expenditure commitments for construction in progress were KZT 293 million and KZT 157 million, respectively.

Operating lease commitments

There were no material operating lease commitments under operating leases outstanding as at 30 June 2017 and 31 December 2016.

(millions of Kazakhstani Tenge)

22. Net interest income

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on individually assessed unimpaired assets	41,898	35,793	79,813	71,995
- interest income on collectively assessed assets	25,463	25,980	52,991	51,053
- interest income on individually assessed impaired assets	6,893	7,802	14,510	15,520
Interest income on available-for-sale investment securities	19,210	5,209	32,750	11,053
Interest income on held to maturity investments	-	294	-	597
Interest income on financial assets at fair value through profit or loss	777	7,627	4,641	7,653
Total interest income	94,241	82,705	184,705	157,871
Interest income on financial assets recorded at amortized cost:				
Interest income on loans to customers	70,662	65,197	140,192	131,000
Interest income on amounts due from credit institutions and cash and cash equivalents	3,592	4,378	7,122	7,568
Interest income on held to maturity investments	-	294	-	597
Total interest income on financial assets recorded at amortized cost	74,254	69,869	147,314	139,165
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	777	7,627	4,641	7,653
Total interest income on financial assets at fair value through profit or loss	777	7,627	4,641	7,653
Interest income on available-for-sale investment securities	19,210	5,209	32,750	11,053
Total interest income	94,241	82,705	184,705	157,871
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(42,310)	(39,128)	(85,922)	(78,752)
Total interest expense	(42,310)	(39,128)	(85,922)	(78,752)
Interest expense on financial liabilities recorded at amortized cost:				
Interest expense on amounts due to customers	(32,551)	(26,772)	(64,311)	(51,703)
Interest expense on debt securities issued	(8,629)	(11,331)	(19,568)	(23,121)
Interest expense on amounts due to credit institutions	(1,130)	(1,025)	(2,043)	(3,928)
Total interest expense on financial liabilities recorded at amortized cost	(42,310)	(39,128)	(85,922)	(78,752)
Net interest income before impairment charge	51,931	43,577	98,783	79,119

(millions of Kazakhstani Tenge)

23. Fees and commissions

Fees and commissions derived from the following sources:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Bank transfers - settlements	3,945	3,688	7,704	6,876
Payment cards maintenance	3,033	2,776	5,873	5,330
Cash operations	2,800	2,481	5,167	4,626
Customers' pension payments service	1,828	1,734	3,628	3,415
Bank transfers - salary projects	1,769	1,849	3,455	3,535
Letters of credit and guarantees issued	1,017	939	1,827	1,885
Customer accounts maintenance	590	487	1,204	871
Other	620	546	1,129	1,054
	15,602	14,500	29,987	27,592

24. Net gain/(loss) from financial assets and liabilities at fair value through profit or loss

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
Unrealized net gain/(loss) on trading and derivative operations	5,241	(4,279)	(7,242)	(2,869)
Realized net gain on trading operations	7	92	11	130
Realized net loss on derivative operations	(1,014)	(3,321)	(250)	(2,443)
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	4,234	(7,508)	(7,481)	(5,182)

(millions of Kazakhstani Tenge)

25. Net foreign exchange (loss)/gain

Net foreign exchange (loss)/gain comprises:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Dealing, net	3,636	1,335	6,956	5,196
Translation differences, net	(4,798)	6,271	6,578	361
Net foreign exchange (loss)/gain	(1,162)	7,606	13,534	5,557

26. Insurance underwriting income

Insurance underwriting income/(expense) comprised:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Insurance premiums written, gross	16,749	14,355	33,783	29,512
Ceded reinsurance share	815	(6,190)	(12,993)	(14,557)
Change in unearned insurance premiums, net	(6,227)	(715)	(505)	(2,620)
Insurance underwriting income	11,337	7,450	20,285	12,335
Insurance payments	(3,733)	(2,395)	(6,749)	(5,372)
Commissions to agents	(4,173)	(1,946)	(6,900)	(2,719)
Insurance reserves expenses	(2,868)	(2,045)	(5,434)	(3,104)
Insurance claims incurred, net of reinsurance	(10,774)	(6,386)	(19,083)	(11,195)
Net insurance income	563	1,064	1,202	1,140

(millions of Kazakhstani Tenge)

27. Operating expenses

Operating expenses comprised:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Salaries and other employee benefits	10,945	8,550	21,144	18,231
Professional services	2,143	123	2,732	207
Depreciation and amortization expenses	1,712	1,276	3,447	2,757
Taxes other than income tax	1,267	777	2,072	1,620
Information services	706	493	1,212	946
Security	661	471	1,322	964
Repairs and maintenance	490	520	876	933
Communication	474	391	902	769
Rent	437	424	850	840
Utilities expenses	413	327	979	778
Stationery and office supplies	216	204	430	367
Business trip expenses	206	133	356	256
Insurance agent fees	189	115	337	278
Advertisement	163	133	288	272
Transportation	137	126	258	246
Charity	63	141	74	169
Hospitality expenses	11	15	17	25
Social events	5	1	17	5
Other	552	769	931	1,356
	20,790	14,989	38,244	31,019

28. 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.

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

(millions of Kazakhstani Tenge)

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2017 (unaudited)	Three months ended 30 June 2016 (unaudited)	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)
Basic earnings per share				
Net income for the period attributable to equity holders of the parent	40,400	34,214	78,882	57,137
Less: Dividends paid on preference shares	-	(333)	-	(333)
Earnings attributable to common shareholders	40,400	33,881	78,882	56,804
Earnings for the period from continuing operations	37,750	32,459	73,730	53,288
Earnings for the period from discontinued operations	2,650	1,755	5,152	3,849
Weighted average number of common shares for the purposes of basic earnings per share	10,994,780,467	10,916,890,861	10,994,538,554	10,919,261,034
Basic earnings per share (in Tenge)	3.68	3.10	7.17	5.20
Basic earnings per share from continuing operations (in Tenge)	3.43	2.97	6.71	4.88
Basic earnings per share from discontinued operations (in Tenge)	0.24	0.16	0.47	0.35
Diluted earnings per share				
Earnings used in the calculation of basic earnings per share	40,400	33,881	78,882	56,804
Add: Dividends paid on convertible preferred shares	-	9	-	9
Less: Amounts payable to convertible preferred shareholders upon conversion	-	(96)	-	(96)
Earnings used in the calculation of total diluted earnings per share	40,400	33,794	78,882	56,717
Earnings for the period from continuing operations	37,750	32,459	73,730	53,288
Earnings for the period from discontinued operations	2,650	1,755	5,152	3,849
Weighted average number of common shares for the purposes of basic earnings per share	10,994,780,467	10,916,890,861	10,994,538,554	10,919,261,034
Weighted average number of common shares that would be issued for the convertible preferred shares	-	-	-	324,637
Weighted average number of common shares for the purposes of diluted earnings per share	10,994,780,467	10,916,890,861	10,994,538,554	10,919,585,671
Diluted earnings per share (in Tenge)	3.68	3.10	7.17	5.19
Diluted earnings per share from continuing operations (in Tenge)	3.43	2.97	6.71	4.88
Diluted earnings per share from discontinued operations (in Tenge)	0.24	0.16	0.47	0.35

(millions of Kazakhstani Tenge)

As required by KASE Listing Rules the book value of one share per each class of shares as at 30 June 2017 and 31 December 2016, is disclosed as follows:

		30 June 2017 (unaudited)	
Class of shares	Outstanding shares	Equity (calculated as per KASE rules)	Book value of one share, in KZT
Common	10,994,958,055	748,856	68.11
		748,856	

		31 December 2016	
Class of shares	Outstanding shares	Equity (calculated as per KASE rules)	Book value of one share, in KZT
Common	10,993,619,331	656,414	59.71
		656,414	

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

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

29. 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)

	30 June 2017 (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	1,121,786	80,641	-	-	-	1,202,427
Obligatory reserves	42,266	2,589	17,122	3,604	546	66,127
Financial assets at fair value through profit or loss	29,803	-	71,108	-	-	100,911
Amounts due from credit institutions	4,484	72	21,050	86	9,462	35,154
Available-for-sale investment securities	417,376	77,917	210,337	116,837	175,954	998,421
Loans to customers	127,006	216,405	1,433,376	305,328	112,909	2,195,024
Other financial assets	6,346	274	1	36	65	6,722
	1,749,067	377,898	1,752,994	425,891	298,936	4,604,786
FINANCIAL LIABILITIES:						
Amounts due to customers	1,772,026	134,343	871,133	647,221	56,800	3,481,523
Amounts due to credit institutions	25,322	4,287	1,661	8,564	92,181	132,015
Financial liabilities at fair value through profit or loss	460	6	-	-	3,712	4,178
Debt securities issued	4,753	3,812	896	152,770	221,371	383,602
Other financial liabilities	9,721	1,142	1,342	82	25	12,312
	1,812,282	143,590	875,032	808,637	374,089	4,013,630
Net position	(63,215)	234,308	877,962	(382,746)	(75,153)	
Accumulated gap	(63,215)	171,093	1,049,055	666,309	591,156	

(millions of Kazakhstani Tenge)

						31 December 2016
	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	1,774,519	-	-	-	-	1,774,519
Obligatory reserves	49,593	3,972	18,368	3,650	539	76,122
Financial assets at fair value through profit or loss	251,544	-	77,193	-	-	328,737
Amounts due from credit institutions	9,685	11,281	10,930	2,183	1,463	35,542
Available-for-sale investment securities	13,290	79,328	269,298	78,463	159,245	599,624
Loans to customers	146,771	236,233	1,526,644	286,133	123,802	2,319,583
Other financial assets	3,782	2,554	364	5	52	6,757
	2,249,184	333,368	1,902,797	370,434	285,101	5,140,884
FINANCIAL LIABILITIES:						
Amounts due to customers	2,046,317	226,071	784,955	694,228	69,091	3,820,662
Amounts due to credit institutions	52,961	1,532	7,028	30,333	70,280	162,134
Financial liabilities at fair value through profit or loss	73	99	-	2,669	-	2,841
Debt securities issued	4,915	3,812	197,516	157,792	220,898	584,933
Other financial liabilities	11,527	354	1,887	189	25	13,982
	2,115,793	231,868	991,386	885,211	360,294	4,584,552
Net position	133,391	101,500	911,411	(514,777)	(75,193)	
Accumulated gap	133,391	234,891	1,146,302	631,525	556,332	

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:

	30 June 2017 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,020,304	7,104	14,901	16,597	1,058,906	143,521	1,202,427
Obligatory reserves	35,722	569	526	1,309	38,126	28,001	66,127
Financial assets at fair value through profit or loss	903	-	-	152	1,055	99,856	100,911
Amounts due from credit institutions	10,268	-	2,122	-	12,390	22,764	35,154
Available-for-sale investment securities	253,941	3,775	1,950	3,172	262,838	735,583	998,421
Loans to customers	668,372	14,109	16,563	11,379	710,423	1,484,601	2,195,024
Other financial assets	856	60	72	124	1,112	5,610	6,722
	1,990,366	25,617	36,134	32,733	2,084,850	2,519,936	4,604,786
FINANCIAL LIABILITIES							
Amounts due to customers	1,996,181	25,048	15,755	10,475	2,047,459	1,434,064	3,481,523
Amounts due to credit institutions	15,178	170	4,339	70	19,757	112,258	132,015
Financial liabilities at fair value through profit or loss	32	-	200	-	232	3,946	4,178
Debt securities issued	157,535	-	-	-	157,535	226,067	383,602
Other financial liabilities	115	45	204	284	648	11,664	12,312
	2,169,041	25,263	20,498	10,829	2,225,631	1,787,999	4,013,630
Net position – on balance	(178,675)	354	15,636	21,904	(140,781)	731,937	591,156
Net position – off-balance	194,488	1,360	(13,197)	(12,820)	169,831	(101,512)	
Net position	15,813	1,714	2,439	9,084	29,050	630,425	

(millions of Kazakhstani Tenge)

							31 December 2016
	USD	EURO	RUR	Other	TOTAL foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,628,322	30,673	16,915	14,921	1,690,831	83,688	1,774,519
Obligatory reserves	47,789	1,055	364	1,359	50,567	25,555	76,122
Financial assets at fair value through profit or loss	764	-	-	150	914	327,823	328,737
Amounts due from credit institutions	6,907	-	4,103	-	11,010	24,532	35,542
Available-for-sale investment securities	252,328	3,591	1,939	2,916	260,774	338,850	599,624
Loans to customers	710,067	8,793	14,921	13,261	747,042	1,572,541	2,319,583
Other financial assets	628	88	117	85	918	5,839	6,757
	2,646,805	44,200	38,359	32,692	2,762,056	2,378,828	5,140,884
FINANCIAL LIABILITIES							
Amounts due to customers	2,431,736	45,087	5,879	14,664	2,497,366	1,323,296	3,820,662
Amounts due to credit institutions	35,749	519	146	855	37,269	124,865	162,134
Financial liabilities at fair value through profit or loss	-	-	199	-	199	2,642	2,841
Debt securities issued	359,521	-	-	-	359,521	225,412	584,933
Other financial liabilities	852	108	437	318	1,715	12,267	13,982
	2,827,858	45,714	6,661	15,837	2,896,070	1,688,482	4,584,552
Net position – on balance	(181,053)	(1,514)	31,698	16,855	(134,014)	690,346	556,332
Net position – off-balance	189,207	2,170	(27,150)	(9,442)	154,785	(78,808)	
Net position	8,154	656	4,548	7,413	20,771	611,538	

30. 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.

Other represents capital market services.

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 six months ended 30 June 2017 and 2016.

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 30 June 2017 and 2016 and for the six months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 30 June 2017 and for the six months then ended (unaudited)						
External revenues	119,40	57,437	27,866	26,827	19,770	251,305
Total revenues	119,40	57,437	27,866	26,827	19,770	251,305
Total revenues comprise:						
- Interest income	52,66	77,500	17,145	37,392	-	184,705
- Fee and commission income	22,49	4,094	3,395	3	-	29,987
- Net realized gain from available-for-sale investment securities		-	-	218	-	218
- Net foreign exchange gain/(loss)	44,26	(24,531)	7,271	(10,922)	(2,549)	13,534
- Insurance underwriting income and other income		-	-	-	22,550	22,550
- Recovery of provisions/(provisions)		293	(4)	22	-	311
Total revenues	119,42	57,356	27,807	26,713	20,001	251,305
- Interest expense	(38,78	(43,549)	(3,590)	-	-	(85,922)
- (Impairment charge)/recovery of provisions	(89	(7,458)	(2,917)	434	9	(10,831)
- Fee and commission expense	(5,47	(485)	(132)	(17)	(1)	(6,107)
- Operating expenses	(21,45	(2,287)	(4,447)	(3,409)	(6,649)	(38,244)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(32,97	19,801	(4,360)	8,787	1,264	(7,481)
- Insurance claims incurred, net of reinsurance		-	-	-	(19,083)	(19,083)
Segment result	19,84	23,378	12,361	32,508	(4,459)	83,637
Income before income tax expense						83,637
Income tax expense					(9,907)	(9,907)
Profit from discontinued operation						5,152
Net income						78,882
Total segment assets	567,07	3,010,562	311,964	1,082,135	303,945	5,275,683
Total segment liabilities	1,709,50	2,247,864	449,514	1,456	112,564	4,520,902
Other segment items:						
Capital expenditures					(2,356)	(2,356)
Depreciation and amortization					(3,447)	(3,447)

(millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 30 June 2016 and for the six months then ended (unaudited)						
External revenues	62,179	86,789	19,940	22,511	15,733	207,152
Total revenues	62,179	86,789	19,940	22,511	15,733	207,152
Total revenues comprise:						
- Interest income	49,438	73,594	15,481	19,358	-	157,871
- Fee and commission income	20,603	2,636	3,135	978	240	27,592
- Net foreign exchange (loss)/gain	(7,862)	10,549	1,306	1,151	413	5,557
- Net realized gain from available-for-sale investment securities	-	-	-	1,025	-	1,025
- Recovery of provisions/(provisions)	-	10	18	(1)	(4)	23
- Insurance underwriting income and other income	-	-	-	-	15,084	15,084
Total revenues	62,179	86,789	19,940	22,511	15,733	207,152
- Interest expense	(30,597)	(45,924)	(2,231)	-	-	(78,752)
- Impairment charge	(2,577)	(5,218)	(2,333)	(124)	(299)	(10,551)
- Fee and commission expense	(5,594)	(188)	(102)	(92)	(127)	(6,103)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(12,802)	7,382	(836)	1,074		(5,182)
- Operating expenses	(17,093)	(1,532)	(3,391)	(2,831)	(6,172)	(31,019)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(11,195)	(11,195)
Segment result	(6,484)	41,309	11,047	20,538	(2,060)	64,350
Income before income tax expense						64,350
Income tax expense					(11,062)	(11,062)
Profit from discontinued operation						3,849
Net income						57,137
As at 31 December 2016:						
Total segment assets	555,923	3,291,010	289,169	850,585	361,796	5,348,483
Total segment liabilities	1,708,200	2,566,938	289,008	-	118,744	4,682,890
Other segment items:						
Capital expenditures					(18,285)	(18,285)
Depreciation and amortization					(2,757)	(2,757)

(millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 30 June 2017 and 31 December 2016 and for the six-months ended 30 June 2017 and 2016.

	Kazakhstan	OECD	Non-OECD	Total
30 June 2017 (unaudited)				
Total assets	4,687,611	475,847	112,225	5,275,683
31 December 2016				
Total assets	4,450,495	795,651	102,337	5,348,483
Six months ended 30 June 2017 (unaudited)				
External revenues	240,158	5,506	5,641	251,305
Capital expenditure	(2,356)	-	-	(2,356)
Six months ended 30 June 2016 (unaudited)				
External revenues	201,017	1,647	4,488	207,152
Capital expenditure	(18,285)	-	-	(18,285)

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.

31. 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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes unlisted equity securities.

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.

(millions of Kazakhstani Tenge)

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2017 and 31 December 2016:

Financial Assets/Liabilities	Fair value 30 June 2017 (unaudited)	Fair value 31 December 2016	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)	29,445	250,961	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)	358	1,093	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)	71,108	76,683	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	100,911	328,737				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 7)	4,178	2,841	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
Total financial liabilities at fair value through profit or loss	4,178	2,841				
Non-derivative available-for-sale investment securities (Note 9)	996,470	597,682	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	1,858	1,860	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)	93	82	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Available-for-sale investment securities	998,421	599,624				

(millions of Kazakhstani Tenge)

There were no transfers between Level 1 and 2 during the six months ended 30 June 2017 and 2016.

	Financial assets at fair value through profit or loss (Level 3)	Available-for-sale investment securities Unquoted equity securities (Level 3)
31 December 2015	173,804	98
(Loss)/gain to profit or loss	(18,643)	5
30 June 2016 (unaudited)	155,161	103
31 December 2016	76,683	82
(Loss)/gain to profit or loss	(5,575)	11
30 June 2017 (unaudited)	71,108	93

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:

	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	35,154	34,320	35,542	35,430
Loans to customers	2,195,024	2,187,027	2,319,583	2,178,539
Financial liabilities				
Amounts due to customers	3,481,523	3,372,888	3,820,662	3,972,622
Amounts due to credit institutions	132,015	205,513	162,134	190,971
Debt securities issued	383,602	358,107	584,933	586,378

	30 June 2017 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	34,320	-	34,320
Loans to customers	-	-	2,187,027	2,187,027
Financial liabilities				
Amounts due to customers	-	3,372,888	-	3,372,888
Amounts due to credit institutions	-	205,513	-	205,513
Debt securities issued	358,107	-	-	358,107

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	35,430	-	35,430
Loans to customers	-	-	2,178,539	2,178,539
Financial liabilities				
Amounts due to customers	-	3,972,622	-	3,972,622
Amounts due to credit institutions	-	190,971	-	190,971
Debt securities issued	586,378	-	-	586,378

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.

32. 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)

As at 30 June 2017 and 31 December 2016, the Group had the following outstanding balances with related parties:

	30 June 2017 (unaudited)		31 December 2016	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for impairment losses	1,472	2,477,717	2,148	2,604,335
- entities with joint control or significant influence over the entity	1,326		2,024	
- key management personnel of the entity or its Parent	116		94	
- other related parties	30		30	
Allowance for impairment losses	(22)	(282,693)	(21)	(284,752)
- entities with joint control or significant influence over the entity	(22)		(21)	
Amounts due to customers	193,603	3,481,523	197,569	3,820,662
- the Parent	89,654		99,641	
- entities with joint control or significant influence over the entity	1,417		4,086	
- key management personnel of the entity or its parent	9,837		9,538	
- other related parties	92,695		84,304	

The following amounts resulted from transactions with related parties and have been reflected in the interim consolidated income statement and in the interim consolidated statement of other comprehensive income for the six months ended 30 June 2017 and 2016:

	Six months ended 30 June 2017 (unaudited)		Six months ended 30 June 2016 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	93	184,705	178	157,871
- entities with joint control or significant influence over the entity	89		171	
- key management personnel of the entity or its Parent	2		6	
- other related parties	2		1	
Interest expense	(3,863)	(85,922)	(4,139)	(78,752)
- the Parent	(1,378)		(3,364)	
- entities with joint control or significant influence over the entity	(10)		(8)	
- key management personnel of the entity or its Parent	(138)		(198)	
- other related parties	(2,337)		(569)	

(millions of Kazakhstani Tenge)

	Six months ended 30 June 2017 (unaudited)		Six months ended 30 June 2016 (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:	1,621	21,144	1,250	18,231
- *short-term employee benefits*	1,621		1,250	

33. Events after the reporting date

On 5 July 2017, the Bank acquired 96.81% of ordinary shares in KKB, including 86.09% from Mr. K. Rakishev and 10.72% from "Samruk-Kazyna".

On 10 July 2017, to comply with the legislative requirements of the Republic of Kazakhstan, the Bank made a tender offer to the shareholders of KKB for the purchase of outstanding common shares (including global depositary receipts, the underlying assets of which are common shares of KKB) and preference shares (including global depositary receipts, the underlying assets of which are preference shares of KKB). After the offer expires (30 calendar days from the announcement date), the Bank's share may change.

On 12 July 2017, the Bank realised its pre-emptive right and purchased 1,296,698,676 ordinary shares of KKB for a total of KZT 185 billion, increasing its stake in the issued capital of KKB to 98.79%.