

JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the nine months ended 30 September 2019

JSC Halyk Bank

Table of contents

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED):	
Interim condensed consolidated statement of financial position (unaudited)	3
Interim condensed consolidated statement of profit or loss (unaudited)	4
Interim condensed consolidated statement of other comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6-7
Interim condensed consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-55

JSC Halyk Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (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 September 2019, the results of its operations, cash flows and changes in equity for the three and nine 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 nine months ended 30 September 2019 was authorized for issue by the Management Board on 15 November 2019.

On behalf of the Management Board:



Umut B. Shayakhmetova
Chairperson of the Board

15 November 2019
Almaty, Kazakhstan





Pavel A. Cheussov
Chief Accountant

15 November 2019
Almaty, Kazakhstan



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Halyk Bank and its subsidiaries ("the Group") as at 30 September 2019 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and nine months then ended, interim condensed consolidated statements of changes in equity and cash flows for the nine 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 IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte, LLP

15 November 2019
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2019 (unaudited)

(millions of Kazakhstani Tenge)

	Notes	30 September 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	5	1,733,404	1,755,138
Obligatory reserves		135,960	115,741
Financial assets at fair value through profit or loss	6	140,166	186,836
Amounts due from credit institutions	7	48,185	55,035
Financial assets at fair value through other comprehensive income	8	1,633,820	1,765,933
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,189,199	1,055,907
Precious metals		3,886	3,496
Loans to customers	10, 31	3,566,710	3,481,079
Investment property		46,837	58,868
Commercial property		96,419	70,318
Assets held-for-sale		58,193	56,129
Investments in associate		25,798	20,437
Current income tax assets		1,726	34,478
Deferred income tax assets		130	323
Property and equipment		135,570	130,987
Intangible assets		8,747	8,435
Goodwill		3,085	3,085
Insurance assets	11	49,157	65,651
Other assets	12	115,499	91,148
TOTAL ASSETS		8,992,491	8,959,024
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	6,190,717	6,526,930
Amounts due to credit institutions	14	337,211	168,379
Financial liabilities at fair value through profit or loss	6	2,037	7,022
Debt securities issued	15	919,154	900,791
Current income tax liability		1,962	126
Deferred tax liability		49,455	66,188
Provisions	16	3,256	2,546
Insurance liabilities	11	188,595	182,441
Other liabilities	18	73,316	38,955
Total liabilities		7,765,703	7,893,378
EQUITY			
Share capital	19	209,027	209,027
Share premium reserve		3,496	1,839
Treasury shares		(106,535)	(111,441)
Retained earnings and other reserves		1,120,794	966,215
Total equity		1,226,788	1,065,646
Non-controlling interest	6	6	6
Total equity		1,226,788	1,065,646
TOTAL LIABILITIES AND EQUITY		8,992,491	8,959,024

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2019
Almaty, Kazakhstan

The notes on pages 10 to 55 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Profit or Loss for the Three and Nine Months ended 30 September 2019 (unaudited) (millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
CONTINUING OPERATIONS					
Interest income calculated using effective interest method	21, 31	172,891	165,948	525,431	497,990
Other interest income	21	2,414	1,919	5,958	4,616
Interest expense	21, 31	(73,198)	(83,044)	(239,022)	(253,374)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		102,107	84,823	292,367	249,232
Credit loss expense	16	(8,454)	(8,266)	(21,140)	(31,142)
NET INTEREST INCOME		93,653	76,557	271,227	218,090
Fee and commission income	22	32,112	29,350	89,796	83,736
Fee and commission expense	22	(14,579)	(10,199)	(39,335)	(28,172)
Fees and commissions, net		17,533	19,151	50,461	55,564
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	23	11,564	55,709	(10,925)	84,472
Net realised gain from financial assets at fair value through other comprehensive income		1,648	447	4,047	3,407
Net (loss)/gain on foreign exchange operations	24	(2,076)	(31,992)	30,403	(37,054)
Insurance underwriting income	25	23,423	17,606	67,463	49,725
Share in profit of associate		1,620	1,011	4,817	1,716
Other income		3,943	1,387	21,527	23,612
OTHER NON-INTEREST INCOME		40,122	44,168	117,332	125,878
Operating expenses	26	(34,235)	(34,041)	(97,500)	(102,977)
Loss from impairment of non-financial assets		-	(1,230)	-	(31,538)
Recoveries of other credit loss expense/(other credit loss expense)	16	1,394	698	(687)	3,045
Insurance claims incurred, net of reinsurance	25	(22,795)	(16,407)	(63,693)	(46,738)
NON-INTEREST EXPENSES		(55,636)	(50,980)	(161,880)	(178,208)
INCOME BEFORE INCOME TAX EXPENSE		95,672	88,896	277,140	221,324
Income tax expense	17	(8,513)	(10,947)	(25,752)	(68,144)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		87,159	77,949	251,388	153,180
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations		-	-	-	9,974
NET PROFIT		87,159	77,949	251,388	163,154
Attributable to:					
Non-controlling interest		-	162	-	(807)
Common shareholders		87,159	77,787	251,388	163,961
		87,159	77,949	251,388	163,154
EARNINGS PER SHARE					
(In Kazakhstani Tenge)	27				
Basic and diluted earnings per share		7.44	6.62	21.50	14.6
Basic and diluted earnings per share from continuing operations		7.44	6.62	21.50	13.7

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2019
Almaty, Kazakhstan

The notes on pages 10 to 55 form an integral part of this interim condensed consolidated financial information.


JSC Halyk Bank

Interim Condensed Consolidated Statement of Other Comprehensive Income for the Three and Nine Months ended 30 September 2019 (unaudited)

(millions of Kazakhstani Tenge)

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Net profit	87,159	77,949	251,388	163,154
Other comprehensive income:				
<i>Items that will not to be subsequently reclassified to profit or loss:</i>				
Gain on revaluation of property (net of tax – KZT Nil)	3	131	3	2,088
(Loss)/gain on revaluation of equity financial assets at fair value through other comprehensive income (net of tax – KZT Nil)	(474)	197	(101)	305
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain/(loss) on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	9,409	5,469	35,847	(1,520)
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(1,648)	(447)	(4,047)	(3,407)
Share of other comprehensive (loss)/income of associate	(75)	(182)	544	(182)
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	(1,623)	1,525	(3,113)	1,208
Other comprehensive income/(loss) for the period	5,592	6,693	29,133	(1,508)
Total comprehensive income	92,751	84,642	280,521	161,646
Attributable to:				
Non-controlling interest	-	(1,860)	-	(1,954)
Common shareholders	92,751	86,502	280,521	163,600
Total comprehensive income	92,751	84,642	280,521	161,646

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

15 November 2019
Almaty, Kazakhstan




Pavel A. Zheussov
Chief Accountant

15 November 2019
Almaty, Kazakhstan



The notes on pages 10 to 55 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Nine Months ended 30 September 2019 (unaudited) (millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other compre- hensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non- controlling interest	Total equity
31 December 2018	209,027	1,839	(111,441)	9,657	(4,804)	20,970	940,392	1,065,640	6	1,065,646
Net income	-	-	-	-	-	-	251,388	251,388	-	251,388
Other comprehen- sive (loss)/income	-	-	-	(3,113)	32,243	3	-	29,133	-	29,133
Total comprehen- sive (loss)/ income	-	-	-	(3,113)	32,243	3	251,388	280,521	-	280,521
Treasury shares purchased	-	-	(215)	-	-	-	-	(215)	-	(215)
Treasury shares sold	-	1,657	5,121	-	-	-	-	6,778	-	6,778
Dividends – common shares	-	-	-	-	-	-	(125,923)	(125,923)	-	(125,923)
Insurance bonuses to the insured	-	-	-	-	-	-	(19)	(19)	-	(19)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(668)	668	-	-	-
30 September 2019 (unaudited)	209,027	3,496	(106,535)	6,544	27,439	20,305	1,066,506	1,226,782	6	1,226,788

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2017	143,695	1,839	(104,234)	6,570	13,008	15,470	785,668	862,016	72,441	934,457
Impact of adopting IFRS 9	-	-	-	-	(9,539)	-	(33,467)	(43,006)	(11,857)	(54,863)
Restated opening balance under IFRS 9	143,695	1,839	(104,234)	6,570	3,469	15,470	752,201	819,010	60,584	879,594
Net income	-	-	-	-	-	-	163,961	163,961	(807)	163,154
Other comprehensive income/(loss)	-	-	-	1,548	(4,003)	2,365	(271)	(361)	(1,147)	(1,508)
Total comprehensive income/(loss)	-	-	-	1,548	(4,003)	2,365	163,690	163,600	(1,954)	161,646
Treasury shares purchased	-	-	(456)	-	-	-	-	(456)	-	(456)
Treasury shares sold	-	6	657	-	-	-	-	663	-	663
Effect from exchange of preferred shares of JSC Kazkommertsbank	-	-	-	-	-	-	(817)	(817)	6,175	5,358
Dividends – common shares	-	-	-	-	-	-	(69,363)	(69,363)	-	(69,363)
Change in share due to the legal merger with JSC Kazkommertsbank	65,332	-	(7,391)	303	(927)	4,127	3,355	64,799	(64,799)	-
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(728)	728	-	-	-
30 September 2018 (unaudited)	209,027	1,845	(111,424)	8,421	(1,461)	21,234	849,794	977,436	6	977,442

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2019
Almaty, Kazakhstan

The notes on pages 10 to 55 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Cash Flows for the Nine Months ended 30 September 2019 (unaudited) (millions of Kazakhstani Tenge)

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	4,361	2,435
Interest received from cash equivalents and amounts due from credit institutions	31,761	26,210
Interest received on financial assets at fair value through other comprehensive income	34,700	29,982
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	93,170	70,085
Interest received from loans to customers	327,412	317,927
Interest paid on due to customers	(164,942)	(161,886)
Interest paid on due to credit institutions	(2,974)	(3,140)
Interest paid on debt securities issued	(41,429)	(39,033)
Fee and commission received	89,796	81,011
Fee and commission paid	(39,305)	(18,623)
Insurance underwriting income received	57,325	48,565
Ceded insurance share paid	(2,592)	(1,697)
(Payments)/receipts from derivative operations	(10,256)	20,520
Other income received	21,527	16,685
Operating expenses paid	(85,079)	(94,021)
Insurance claims paid	(44,561)	(36,499)
Cash flows from operating activities before changes in net operating assets	268,914	258,521
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	(20,243)	3,254
Financial assets at fair value through profit or loss	47,831	63,618
Amounts due from credit institutions	6,717	37,059
Precious metals	288	1,455
Loans to customers	(151,686)	4,737
Assets held-for-sale	10,967	14,659
Insurance assets	(1,598)	(2,254)
Other assets	(10,717)	44,870
(Decrease)/increase in operating liabilities:		
Amounts due to customers	(321,761)	(301,083)
Amounts due to credit institutions	168,623	(95,703)
Financial liabilities at fair value through profit or loss	(5,034)	(2,484)
Insurance liabilities	17,961	10,298
Other liabilities	18,649	(74,529)
Net cash inflow/(outflow) from operating activities before income tax	28,911	(37,582)
Income tax paid	(7,704)	(37,629)
Net cash inflow/(outflow) from operating activities	21,207	(75,211)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(12,771)	(4,281)
Proceeds on sale of property and equipment	1,980	1,420
Proceeds on sale of commercial property	21,169	10,890
Proceeds from sale of financial assets at fair value through other comprehensive income	320,018	321,713
Purchase of financial assets at fair value through other comprehensive income	(94,635)	(232,427)
Net cash outflow from disposal of JSC Altyn Bank	-	(110,175)
Proceeds on sale of investment property	4,052	1,041
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(206,927)	(41,174)
Proceeds from sale of debt securities at amortized cost, net of allowance for expected credit losses	52,591	34,797
Capital expenditures on commercial property	(342)	(727)
Net cash inflow/(outflow) from investing activities	85,135	(18,923)

JSC Halyk Bank

Interim Condensed Consolidated Statement of Cash Flows (continued) for the Nine Months ended 30 September 2019 (unaudited) (millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		6,778	663
Purchase of treasury shares		(215)	(456)
Repurchase of shares by subsidiary		-	(6,984)
Redemption and repayment of debt securities issued	15	(9,836)	(126,221)
Dividends paid – common shares		(125,923)	(69,363)
Repayment of the lease liabilities		(1,149)	n/a
Net cash outflow from financing activities		(130,345)	(202,361)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		2,269	69,038
Net change in cash and cash equivalents		(21,734)	(227,457)
CASH AND CASH EQUIVALENTS, beginning of the period	5	1,755,138	1,923,284
CASH AND CASH EQUIVALENTS, end of the period	5	1,733,404	1,695,827

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2019
Almaty, Kazakhstan



Pavel A. Cheussov
Chief Accountant

15 November 2019
Almaty, Kazakhstan



The notes on pages 10 to 55 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited)

(millions of Kazakhstani Tenge)

1. Principal activities

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan, Georgia and Uzbekistan, 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") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange and Astana International Exchange. In addition, the Bank's Eurobonds are primary listed on the London Stock Exchange and Luxemburg Stock Exchange.

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

As at 30 September 2019, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 487 cash settlement units (31 December 2018 – 23, 121, 503, respectively) located throughout Kazakhstan. The address of the Bank's registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 30 September 2019, the number of the Group's full-time equivalent employees was 16,208 (31 December 2018 – 16,131).

The interim condensed consolidated financial information of the Group for the three and nine months ended 30 September 2019 was authorized for issue by the Management Board on 15 November 2019.

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 compared to 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 the nine months ended 30 September 2019, oil prices decreased approximately by 6% compared to the nine months ended 30 September 2018, from 68 USD/bbl. to 63 USD/bbl. on average, which led to GDP growth deceleration to 3.8% yoy from 4.1% yoy a year earlier.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 30 September 2019, the base rate set by the NBRK was 9.25% ± 1% (9.25% ± 1% as at 30 September 2018). Due to relatively high cost of funding during the nine months 2019, the demand for new loans continued to be relatively low, while KZT liquidity in the banking system demonstrated excess levels. Short-term notes and deposits of the NBRK remain the key instrument to withdraw excess tenge liquidity from the system.

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.

Ownership

As at 30 September 2019 and 31 December 2018, the Group's shares were represented by common shares only. See Note 32, for additional placement made by JSC HG Almex.

As at 30 September 2019 and 31 December 2018, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

30 September 2019 (unaudited)

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	8,756,202,348	74.7%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	1,896,561,040	16.2%
Other	355,823,078	3.0%
Total shares in circulation (on consolidated basis)	11,726,641,206	100%

31 December 2018

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	8,756,202,348	75.0%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	1,840,105,600	15.8%
Other	365,393,741	3.1%
Total shares in circulation (on consolidated basis)	11,679,756,429	100%

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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 2018 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 2018 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 2018 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:

Subsidiaries	Holding %		Country	Industry
	30 September 2019 (unaudited)	31 December 2018		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	Common insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	Russia	Banking
CJSC Halyk Bank Tajikistan	100	100	Tajikistan	Banking
JSC Kazkommertsbank Securities	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ-1	100	100	Kazakhstan	Management of doubtful and loss assets
JSC QPayments	100	100	Kazakhstan	Payment card processing and other related services
JSC Tenge Bank	100	-	Uzbekistan	Banking

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Effective 10 July 2019, new subsidiary - JSC Tenge Bank is consolidated in the interim condensed consolidated financial information.

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 2018, except for the adoption of a new standard - IFRS 16 "Leases" ("IFRS 16") effective as at 1 January 2019.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective. The application of other new and revised IFRSs effective for periods beginning on or 1 January 2019 has had no significant impact on the Group's interim condensed consolidated financial information.

The Group has initially adopted IFRS 16 "Leases" from 1 January 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use asset representing its rights to use underlying assets and liabilities representing its obligations to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 "Leases" ("IAS 17"). Accordingly, there are no changes to the Groups accounting policy for lessor accounting.

The Group has applied IFRS 16 using the modified retrospective approach, which means the adoption from 1 January 2019 with no restatement of comparative periods - i.e. comparative period is presented as previously reported under IAS 17 and related interpretations. The details of the changes in the accounting policies, nature and the impact that is relevant to the Group's operations are described below.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continued to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on lessee accounting

Operating leases

IFRS 16 changed how the Group accounted for leases previously classified as operating leases under IAS 17, which were off balance sheet.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued) *(millions of Kazakhstani Tenge)*

On initial application of IFRS 16, for all leases (except as noted below), the Group:

- a) Recognised right of use assets and lease liabilities in the interim condensed consolidated statement of financial position within "Property and equipment" and "Other liabilities", respectively. The lease liabilities were at transition initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application - 1 January 2019. The right-of-use assets were initially recognised at the value of the corresponding lease liability, as the Group used the simplified approach for contracts previously classified as operating lease;
- b) Recognised depreciation of right of use assets as depreciation expense within "Operating expenses" and interest on lease liabilities within "Interest expense" in the interim condensed consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the interim condensed consolidated cash flow statement.

Under IFRS 16, right of use assets are tested for impairment in accordance with IAS 36 "Impairment of Assets". This replaced the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's interim condensed consolidated financial information.

Impact on lessor accounting

Where the Group acts as a lessor, the requirements remain largely unchanged and the distinction between finance and operating leases is maintained. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Summary of impact upon adoption of IFRS 16

As at 1 January 2019, an assessment indicates that the Group recognised a right of use asset of KZT 3,077 million and a corresponding lease liability of KZT 3,077 million in respect of all these leases.

Based on an analysis of the Group's finance leases as at 1 January 2019 and on the basis of the facts and circumstances that exist at that date, the management of the Group has assessed that the change did not have a significant impact on the amounts recognised in the Group's interim condensed consolidated financial information.

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 2018 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2018.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2019 (unaudited)	31 December 2018
Cash on hand	162,989	196,266
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	173,845	120,096
Short-term deposits with OECD based banks	415,476	248,038
Overnight deposits with OECD based banks	132,709	2,396
Correspondent accounts with NBRK	466,653	935,757
Short-term deposits with NBRK	282,839	153,975
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	83,530	65,036
Overnight deposits with Kazakhstan banks	270	-
Correspondent accounts with non-OECD based banks	11,896	10,745
Short-term deposits with non-OECD based banks	1,849	22,657
Overnight deposits with non-OECD based banks	1,348	172
Total cash and cash equivalents	1,733,404	1,755,138

As at 30 September 2019 and 31 December 2018, cash and cash equivalents allowance for expected credit losses comprised KZT 17 million and KZT 9 million, respectively (Note 16).

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

	30 September 2019 (unaudited)		31 December 2018	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	1.9%-2.4%	-	2.0%-2.8%
Overnight deposits with OECD based banks	-	1.5%-2.2%	-	1.5%
Short-term deposits with NBRK	8.3%	0.5%	8.3%	6.8%-7.7%
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	8.3%-12.8%	1.8%-3.9%	8.3%-13.5%	3.0%-10.0%
Overnight deposits with Kazakhstan banks	6.5%	-	-	-
Short-term deposits with non-OECD based banks	-	7.5%-17.0%	-	0.2%-7.5%
Overnight deposits with non-OECD based banks	-	2.0%-7.5%	7.0%	-

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019 (unaudited)		31 December 2018	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	50,153	52,653	19,154	19,695
NBRK notes	14,384	14,830	19,816	20,422
Treasury bills of the Ministry of Finance of Russian Federation	12,646	13,323	21,462	22,755
Bonds of Kazakhstan corporations	6,039	6,640	-	-
Equity securities	193	259	4,503	7,240
Treasury bills of the Kyrgyz Republic	115	116	-	-
Bonds of international financial organizations	-	-	101	102
	83,530	87,821	65,036	70,214

As at 30 September 2019 and 31 December 2018, maturities of loans under reverse repurchase agreements were less than one month.

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

Financial assets at fair value through profit or loss comprise:

	30 September 2019 (unaudited)	31 December 2018
Financial assets held for trading:		
Corporate bonds	68,303	29,987
Equity securities of Kazakhstan corporations	17,838	14,800
Bonds of foreign organizations	11,303	6,293
Bonds of Kazakhstan banks	9,566	11,453
Treasury bills of the Ministry of Finance of Kazakhstan	9,437	11,759
Bonds of JSC Development Bank of Kazakhstan	6,454	6,491
Treasury bills of the USA	6,024	-
Derivative financial instruments	5,235	97,853
Equity securities of foreign organizations	4,459	3,738
Notes of NBRK	1,547	4,462
Total financial assets at fair value through profit or loss	140,166	186,836

Financial liabilities at fair value through profit or loss comprise:

	30 September 2019 (unaudited)	31 December 2018
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	2,037	7,022

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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

	30 September 2019 (unaudited)	31 December 2018
Corporate bonds	10.8%	11.2%
Bonds of foreign organizations	9.0%	7.9%
Bonds of Kazakhstan banks	11.8%	10.8%
Treasury bills of the Ministry of Finance of Kazakhstan	9.0%	7.7%
Bonds of JSC Development Bank of Kazakhstan	8.9%	9.2%
Treasury bills of the USA	1.9%	-
Notes of NBRK	9.8%	7.3%

Derivative financial instruments comprise:

	30 September 2019 (unaudited)			31 December 2018		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts:						
Swaps	882,510	5,169	1,978	1,221,331	97,709	6,998
Spots	37,839	66	59	27,266	144	16
Forwards	-	-	-	326	-	8
		5,235	2,037		97,853	7,022

On 3 July 2019, the Bank and NBRK closed a one-year cross-currency swap deal and at the same concluded another one-year cross-currency swap deal for the notional amount of KZT 348,338 million. The purpose of the deal is the placement of excess foreign currency liquidity.

As at 30 September 2019 and 31 December 2018, 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.

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2019 (unaudited)	31 December 2018
Term deposits	35,953	37,365
Deposit pledged as collateral for derivative financial instruments	11,860	9,512
Loans to credit institutions	537	8,390
	48,350	55,267
Less – Allowance for expected credit losses (Note 16)	(165)	(232)
Total amounts due from credit institutions	48,185	55,035

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

	30 September 2019 (unaudited)		31 December 2018	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Term deposits	5.0%-17.0%	2023	2.7%-14.0%	2023
Deposit pledged as collateral for derivative financial instruments	0.2%-3.0%	2046	0.2%-3.0%	2046
Loans to credit institutions	3.0%-8.5%	2019-2020	2.0%-7.5%	2019

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	30 September 2019 (unaudited)	31 December 2018
Notes of NBRK	505,281	756,652
Treasury bills of the Ministry of Finance of Kazakhstan	426,758	408,508
Treasury bills of the USA	289,395	249,142
Corporate bonds	218,597	202,923
Bonds of foreign organizations	98,041	44,283
Bonds of JSC Development Bank of Kazakhstan	80,402	75,190
Treasury bills of Hungary	9,240	8,757
Bonds of Kazakhstan banks	3,616	18,023
	1,631,330	1,763,478

Equity securities comprise:

	30 September 2019 (unaudited)	31 December 2018
Equity securities of Kazakhstan corporations	2,490	2,455
	2,490	2,455

Total financial assets at fair value through other comprehensive income	1,633,820	1,765,933
--	------------------	------------------

As at 30 September 2019 and 31 December 2018, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,690 million and KZT 2,576 million, respectively (Note 16).

As at 30 September 2019 and 31 December 2018, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 168,122 million and KZT 4,714 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 30 September 2019 and 31 December 2018 mature before 2 October 2019 and 8 January 2019, respectively.

Interest rates and maturities of financial assets at fair value through other comprehensive income securities are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities:

	30 September 2019 (unaudited)		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Notes of NBRK	9.7%	2019-2020	8.7%	2019
Treasury bills of the Ministry of Finance of Kazakhstan	4.6%	2019-2045	6.0%	2019-2045
Treasury bills of the USA	1.9%	2019-2020	1.8%	2019
Corporate bonds	8.6%	2019-2047	7.9%	2019-2047
Bonds of foreign organisations	5.0%	2020-2036	5.5%	2019-2047
Bonds of JSC Development Bank of Kazakhstan	5.7%	2020-2032	6.1%	2020-2032
Treasury bills of Hungary	3.2%	2023	3.2%	2023
Bonds of Kazakhstan banks	12.4%	2019-2024	9.8%	2019-2024

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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

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

	30 September 2019 (unaudited)	31 December 2018
Treasury bills of the Ministry of Finance of Kazakhstan	1,021,783	1,044,939
Corporate bonds	157,264	1,082
Treasury bills of the Kyrgyz Republic	3,514	2,847
Notes of National Bank of Tajikistan	2,873	1,119
Bonds of foreign organisations	1,947	2,640
Notes of National Bank of Georgia	1,818	2,434
Treasury bills of the Russian Federation	-	846
Total debt securities at amortized cost, net of allowances for expected credit losses	1,189,199	1,055,907

On 20 September 2019, the Group acquired "Astana LRT" LLP's bonds in the amount of USD 400 million. The coupon rate of 3.25% corresponds to market conditions. Despite the financial difficulty of the issuer, the underlying project is of strategic significance to the city of Nur-Sultan and has full government support for completion, which is evidenced by the fact that the repayment of bonds is guaranteed in full by the Ministry of Finance of the Republic of Kazakhstan. As such, the Group has concluded that these are not originated credit-impaired assets.

As at 30 September 2019 and 31 December 2018, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 549 million and KZT 441 million, respectively (Note 16).

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

	30 September 2019 (unaudited)		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027	9.3%	2022-2027
Corporate bonds	7.9%	2022-2024	9.7%	2022
Treasury bills of the Kyrgyz Republic	4.4%	2020-2021	5.6%	2019-2021
Notes of National Bank of Tajikistan	13.0%	2019	14.2%	2019
Bonds of foreign organisations	9.1%	2020-2026	9.2%	2020-2026
Notes of National Bank of Georgia	10.8%	2019-2025	10.7%	2019-2025
Treasury bills of the Russian Federation	-	-	7.8%	2021

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

10. Loans to customers

Loans to customers comprise:

	30 September 2019 (unaudited)	31 December 2018
Originated loans to customers	3,971,766	3,869,005
Overdrafts	19,199	21,867
	3,990,965	3,890,872
Stage 1	3,151,407	2,984,812
Stage 2	126,917	142,664
Stage 3	628,600	671,406
Purchased or originated credit-impaired assets ("POCI")	84,041	91,990
Total	3,990,965	3,890,872
Less – Allowance for expected credit losses (Note 16)	(424,255)	(409,793)
Total loans to customers	3,566,710	3,481,079

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 30 September 2019, the average interest rate on loans was 12.7% per annum (as at 31 December 2018 – 13.3% per annum).

As at 30 September 2019, the Group's loan concentration to the ten largest borrowers was KZT 706,028 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2018 – KZT 703,598 million; 19%) and 58% of the Group's total equity (as at 31 December 2018 – 66%).

As at 30 September 2019, the allowance for expected credit losses against these loans amounted to KZT 50,045 million (as at 31 December 2018 – KZT 42,044 million).

As at 30 September 2019 and 31 December 2018, loans were extended to customers operating in the following sectors:

	30 September 2019 (unaudited)	%	31 December 2018	%
Retail loans:				
- consumer loans	785,386	20%	715,362	18%
- mortgage loans	261,570	7%	273,469	7%
	1,046,956		988,831	
Services	674,855	17%	650,353	17%
Wholesale trade	385,043	10%	406,567	12%
Real estate	253,697	6%	321,306	8%
Retail trade	240,965	6%	218,503	6%
Transportation	192,569	5%	151,569	3%
Construction	192,400	5%	221,797	6%
Oil and gas	184,194	5%	153,837	3%
Agriculture	136,662	3%	129,864	3%
Metallurgy	112,936	3%	188,411	5%
Communication	104,440	2%	40,080	1%
Financial services	91,553	2%	62,124	2%
Mining	84,915	2%	73,017	2%
Energy	70,615	2%	70,483	2%
Food industry	54,244	1%	47,053	1%
Machinery	39,657	1%	33,990	1%
Hotel industry	37,728	1%	32,845	1%
Chemical industry	32,421	1%	30,603	1%
Light industry	17,199	0%	12,994	0%
Other	37,916	1%	56,645	2%
	3,990,965	100%	3,890,872	100%

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 30 September 2019, accrued interest on loans comprised KZT 179,305 million (as at 31 December 2018 – KZT 200,539 million).

As at 30 September 2019 and 31 December 2018, loans to customers included loans of KZT 300,903 million and KZT 417,619 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due.

11. Insurance assets and liabilities

Insurance assets comprised the following:

	30 September 2019 (unaudited)	31 December 2018
Unearned reinsurance premium	19,817	17,224
Reinsurance amounts	13,768	34,270
	33,585	51,494
Premiums receivable	15,572	14,157
Total insurance assets	49,157	65,651

Insurance liabilities comprised the following:

	30 September 2019 (unaudited)	31 December 2018
Reserves for insurance claims	133,433	134,802
Gross unearned insurance premium reserve	43,091	32,952
	176,524	167,754
Payables to reinsurers and agents	12,071	14,687
Total insurance liabilities	188,595	182,441

12. Other assets

Other assets comprise:

	30 September 2019 (unaudited)	31 December 2018
Other financial assets:		
Debtors on banking activities	76,173	61,321
Finance lease receivables	21,317	13,193
Debtors on non-banking activities	11,874	12,380
Accrued commission income	4,479	5,116
Others	103	33
	113,946	92,043
Less – Allowance for expected credit losses (Note 16)	(17,940)	(16,325)
	96,006	75,718
Other non-financial assets:		
Advances for taxes other than income tax	6,123	3,164
Prepayments for investment property	5,791	6,317
Inventory	1,917	2,332
Prepayments for property and equipment	1,069	193
Other investments	913	683
Others	3,680	2,741
	19,493	15,430
Total other assets	115,499	91,148

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

13. Amounts due to customers

Amounts due to customers include the following:

	30 September 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Term deposits:		
Individuals	2,716,866	2,918,070
Legal entities	1,273,017	1,374,592
	3,989,883	4,292,662
Current accounts:		
Legal entities	1,750,252	1,756,748
Individuals	450,582	477,520
	2,200,834	2,234,268
Total amounts due to customers	6,190,717	6,526,930

As at 30 September 2019, the Group's ten largest groups of related customers accounted for approximately 24% of the total amounts due to customers (31 December 2018 – 27%), where each group of related customers represents customers related to each other within that group.

As at 30 September 2019, amounts due to customers included amounts held as collateral of KZT 87,630 million (31 December 2018 – KZT 67,515 million).

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

An analysis of customer accounts by sectors is as follows:

	30 September 2019 (unaudited)	Share	31 December 2018	Share
Individuals and entrepreneurs	3,167,448	51%	3,395,590	52%
Financial sector	458,701	7%	425,352	7%
Other consumer services	387,392	6%	322,783	5%
Oil and gas	382,379	6%	669,608	10%
Wholesale trade	294,132	5%	254,518	4%
Transportation	250,620	4%	179,522	3%
Construction	235,746	4%	275,939	4%
Healthcare and social services	233,945	4%	211,571	3%
Government	171,239	3%	101,789	2%
Metallurgy	82,221	1%	67,572	1%
Insurance and pension funds activity	81,999	1%	88,377	1%
Education	54,180	1%	47,449	1%
Energy	46,204	1%	64,731	1%
Communication	41,982	1%	55,201	1%
Other	302,529	5%	366,928	6%
	6,190,717	100%	6,526,930	100%

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	171,741	10,964
Loans from JSC Entrepreneurship Development Fund DAMU	89,973	86,390
Loans from JSC Development Bank of Kazakhstan	39,230	38,491
Correspondent accounts	17,973	23,990
Loans from other financial institutions	11,973	2,813
Loans and deposits from non-OECD based banks	3,550	2,329
Loans from JSC National Managing Holding KazAgro	2,585	3,107
Loans and deposits from OECD based banks	186	295
Total amounts due to credit institutions	337,211	168,379

As at 30 September 2019, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 89,225 million (31 December 2018 – KZT 85,956 million) at 1.0%-4.5% interest rate maturing in 2021-2035 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 September 2019, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 30,921 million (31 December 2018 – KZT 31,171 million) at 2.0% interest rate maturing in 2034-2037 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 8,175 million (31 December 2018 – KZT 7,175 million) at 1.0% interest rate maturing in 2035 to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

As at 30 September 2019, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 2,581 million (31 December 2018 - KZT 3,103 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.

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

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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

	30 September 2019 (unaudited)		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.4%-10.0%	2019-2020	8.0%-9.0%	2019
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2021-2035	1.0%-5.5%	2019-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2034-2037	1.0%-7.9%	2019-2037
Loans from other financial institutions	2.0%-10.0%	2019-2026	4.0%-10.0%	2023-2026
Loans and deposits from non-OECD based banks	1.0%-8.0%	2019-2024	1.0%-8.0%	2019-2023
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022
Loans and deposits from OECD based banks	4.3%	2020	4.2%	2019

Fair value of assets pledged (Note 8) and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019 (unaudited)		31 December 2018	
	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	168,123	163,462	465	442
NBRK Notes	-	-	4,249	4,124
	168,123	163,462	4,714	4,566

Details of transferred financial assets that are not derecognized in their entirety as at 30 September 2019 and 31 December 2018 are disclosed below.

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

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

	Financial assets at fair value through other comprehensive income (Note 8)
As at 30 September 2019 (unaudited):	
Carrying amount of transferred assets	168,123
Carrying amount of associated liabilities	163,462
As at 31 December 2018:	
Carrying amount of transferred assets	4,714
Carrying amount of associated liabilities	4,566

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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

The Group's management believes that as at 30 September 2019 and 31 December 2018, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

15. Debt securities issued

Debt securities issued consisted of the following:

	30 September 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	88,107	79,241
KZT denominated bonds, indexed to inflation	-	3,492
Total subordinated debt securities outstanding	88,107	82,733
Unsubordinated debt securities issued:		
USD denominated bonds	439,504	428,549
KZT denominated bonds	391,543	389,509
Total unsubordinated debt securities outstanding	831,047	818,058
Total debt securities issued	919,154	900,791

On 1 March 2019, the Bank made a partial prepayment on its USD 750,000,000 Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 200,000,000 together with the interest accrued, but unpaid.

In April 2019, the Group placed senior unsecured coupon bonds through the Astana International Financial Center with a nominal value of USD 180,500,000 for a period of 36 months and at a rate of 3% per annum.

On 26 April 2019, the Bank redeemed subordinated bonds issued in April 2009, with an initial placement amount of KZT 3,530 million. The repayment was made from the Bank's own funds.

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

	30 September 2019 (unaudited)		31 December 2018	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
KZT denominated bonds, indexed to inflation	-	-	1%+Inflation rate	2019
Unsubordinated debt securities issued:				
USD denominated bonds	3.0%-7.3%	2021-2022	5.5%-12.0%	2021-2022
KZT denominated bonds	7.5%-8.8%	2019-2025	7.5%-8.8%	2019-2025

As at 30 September 2019, the amount of accrued interest on debt securities issued was KZT 20,552 million (as at 31 December 2018 – KZT 20,624 million).

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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

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 September 2019 and 31 December 2018, the Group was in compliance with the covenants of the agreements that the Group has with the notes' trustees and holders.

Reconciliation of liabilities arising from financing activities

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

	1 January 2019	Financing cash flows	Non-cash changes		30 September 2019 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	900,791	(9,836)	5,369	22,830	919,154

	1 January 2018	Financing cash flows	Non-cash changes		31 December 2018
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	962,396	(167,463)	77,462	28,396	900,791

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

16. Allowances for expected credit losses

The movements in accumulated allowances for expected credit losses of financial assets were as follows:

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
30 June 2019 (unaudited)	(33,766)	(44,318)	(321,603)	(16,994)	(1,153)	(1,978)	(15,394)	(1,127)	-	(2,165)	(13)	(181)	(438,692)
Transfer to Stage 1	(6,164)	4,511	1,653	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	468	(10,387)	9,919	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	15,523	772	(16,295)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters***	4,063	7,634	(419)	(6,560)	310	(775)	966	(80)	-	(523)	(6)	21	4,631
New originations or purchases of financial assets***	(19,996)	-	-	-	-	-	-	(131)	-	-	-	-	(20,127)
Derecognition of financial assets***	3,596	647	1,474	1,296	-	-	-	29	-	-	-	-	7,042
Recoveries of allowances on previously written-off assets**	-	-	(230)	(1,100)	-	-	-	-	-	-	-	-	(1,330)
Write-offs	-	-	2,138	195	-	-	44	-	-	766	-	-	3,143
Foreign exchange differences and other movements	(231)	(216)	228	(93)	(18)	3	55	(8)	-	-	2	(5)	(283)
30 September 2019 (unaudited)	(36,507)	(41,357)	(323,135)	(23,256)	(861)	(2,750)	(14,329)	(1,317)	-	(1,922)	(17)	(165)	(445,616)
Total			(424,255)				(17,940)			(3,239)	(17)	(165)	(445,616)

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
1 January 2019	(43,516)	(28,716)	(322,917)	(14,644)	(1,046)	(1,696)	(13,583)	(1,101)	(21)	(1,881)	(9)	(232)	(429,362)
Transfer to Stage 1	(11,003)	6,711	4,292	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	2,512	(26,121)	23,609	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	46,471	3,290	(49,761)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters***	14,017	2,265	(8,826)	(9,959)	239	(773)	(2,545)	(41)	21	(807)	(7)	70	(6,346)
New originations or purchases of financial assets***	(55,416)	-	-	-	-	-	-	(299)	-	-	-	-	(55,715)
Derecognition of financial assets***	10,528	1,364	23,632	5,268	-	-	-	129	-	-	-	-	40,921
Recoveries of allowances on previously written-off assets**	-	-	(10,621)	(4,650)	-	-	-	-	-	-	-	-	(15,271)
Write-offs	-	-	18,116	1,312	2	-	2,315	-	-	766	-	-	22,511
Foreign exchange differences and other movements	(100)	(150)	(659)	(583)	(56)	(281)	(516)	(5)	-	-	(1)	(3)	(2,354)
30 September 2019 (unaudited)	(36,507)	(41,357)	(323,135)	(23,256)	(861)	(2,750)	(14,329)	(1,317)	-	(1,922)	(17)	(165)	(445,616)
Total			(424,255)				(17,940)			(3,239)	(17)	(165)	(445,616)

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
30 June 2018 (unaudited)	(22,794)	(34,873)	(215,936)	(78,155)	(1,086)	(3,716)	(8,418)	(676)	(4)	(1,398)	(13)	(549)	(367,618)
Transfer to Stage 1	212	(318)	106	-	-	-	-	(4)	4	-	-	-	-
Transfer to Stage 2	4,244	(6,446)	2,202	-	-	(106)	106	-	-	-	-	-	-
Transfer to Stage 3	7,460	1,753	(9,213)	-	-	-	-	-	-	-	-	-	-
Changes in models/risk parameters***	(4,410)	(1,455)	(9,877)	18,916	153	218	(1,765)	46	1	(5)	-	338	2,160
New originations or purchases of financial assets***	(6,157)	(1,235)	(40,909)	-	-	-	-	(297)	-	-	-	-	(48,598)
Derecognition of financial assets***	2,097	747	9,762	25,579	-	-	-	(13)	-	-	-	-	38,172
Write-offs	-	-	17,435	13,027	7	-	1,157	-	-	349	-	-	31,975
Foreign exchange differences	(739)	(1,244)	(17,111)	(7,009)	169	(507)	1,500	-	-	(39)	-	(13)	(24,993)
Other	-	-	-	-	-	-	-	(142)	(2)	(888)	-	-	(1,032)
30 September 2018 (unaudited)	(20,087)	(43,071)	(263,541)	(27,642)	(757)	(4,111)	(7,420)	(1,086)	(1)	(1,981)	(13)	(224)	(369,934)
Total				(354,341)			(12,288)			(3,068)	(13)	(224)	(369,934)

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
1 January 2018	(34,207)	(31,973)	(214,884)	(78,155)	(952)	(3,298)	(3,738)	(1,223)	(4)	1	(10)	(334)	(370,258)
Transfer to Stage 1	(395)	173	222	-	(2)	2	-	(4)	4	-	-	-	-
Transfer to Stage 2	4,442	(6,666)	2,224	-	25	(132)	107	-	-	-	-	-	-
Transfer to Stage 3	10,045	3,215	(13,260)	-	-	376	(376)	-	-	-	-	-	-
Changes in models/risk parameters***	8,981	(5,028)	(21,210)	18,916	(27)	(2,370)	(5,992)	524	1	70	2	172	(5,961)
New originations or purchases of financial assets***	(16,104)	(3,581)	(61,015)	-	-	-	-	(263)	-	-	-	-	(80,963)
Derecognition of financial assets***	7,233	2,152	20,832	25,579	-	-	-	(14)	-	-	-	-	55,782
Write-offs	59	-	39,587	13,027	8	649	1,788	17	-	355	-	-	55,490
Foreign exchange differences	(141)	(1,363)	(16,037)	(7,009)	191	662	791	19	-	(38)	(5)	(62)	(22,992)
Other	-	-	-	-	-	-	-	(142)	(2)	(888)	-	-	(1,032)
30 September 2018 (unaudited)	(20,087)	(43,071)	(263,541)	(27,642)	(757)	(4,111)	(7,420)	(1,086)	(1)	(1,981)	(13)	(224)	(369,934)
Total			(354,341)			(12,288)				(3,068)	(13)	(224)	(369,934)

*Including debt securities at amortized cost (Note 9).

**Recoveries of allowances on JSC Kazkommertsbank loans before the acquisition date by the Group.

***"Credit loss expense" line item in the interim condensed consolidated statement of profit or loss includes the results of the "Changes in models/risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

During the nine months ended 30 September 2019 and 2018, the Group has written off loans of KZT 19,428 million and KZT 52,673 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

Provision represents other credit loss expenses against letters of credit and guarantees issued.

The movements in provisions were as follows:

	Three months ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(181)	(1,104)	(3,410)	(4,695)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Recoveries	4	307	1,083	1,394
Foreign exchange differences	(2)	9	38	45
At the end of the period	(179)	(788)	(2,289)	(3,256)

	Nine months ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(152)	(1,061)	(1,333)	(2,546)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	38	(38)	-
(Additional provisions recognized)/recoveries	(26)	234	(895)	(687)
Foreign exchange differences	(1)	1	(23)	(23)
At the end of the period	(179)	(788)	(2,289)	(3,256)

	Three months ended 30 September 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(256)	(2,384)	(13,463)	(16,103)
Transfer to Stage 1	(204)	201	3	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Recoveries	361	239	98	698
Foreign exchange differences	(62)	(1)	32	(31)
At the end of the period	(161)	(1,945)	(13,330)	(15,436)

	Nine months ended 30 September 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(129)	(13,539)	(4,783)	(18,451)
Transfer to Stage 1	(312)	309	3	-
Transfer to Stage 2	-	(629)	629	-
Transfer to Stage 3	-	11,598	(11,598)	-
Recoveries	303	316	2,426	3,045
Foreign exchange differences	(23)	-	(7)	(30)
At the end of the period	(161)	(1,945)	(13,330)	(15,436)

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

17. Taxation

The income tax expense comprises:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Current tax charge	21,905	(2,356)	41,980	14,711
Deferred tax (benefit)/expense relating to origination and reversal of temporary differences	(13,392)	13,303	(16,228)	53,433
Income tax expense	8,513	10,947	25,752	68,144

The Group's effective income tax rate for the nine months ended 30 September 2019 was 9.3% (for the nine months ended 30 September 2018: 30.8%). The difference between the effective and theoretical income tax rates (20%) for the nine months ended 30 September 2019 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities.

The Group has offset deferred tax assets and liabilities on the interim condensed consolidated statement of financial position where a right of offset existed.

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

18. Other liabilities

Other liabilities comprise:

	30 September 2019 (unaudited)	31 December 2018
Other financial liabilities:		
Liabilities on other payments	19,502	952
Salary payable	18,484	17,256
Creditors on non-banking activities	5,542	3,942
Creditors on bank activities	5,388	2,736
Lease liabilities	4,540	-
Payable for general and administrative expenses	3,078	1,183
Others	700	943
	57,234	27,012
Other non-financial liabilities:		
Other prepayments received	7,611	3,767
Taxes payable other than income tax	4,744	5,218
Amounts due to original investors on commercial property	3,727	2,958
	16,082	11,943
Total other liabilities	73,316	38,955

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

19. Equity

Authorized, issued and fully paid number of shares as at 30 September 2019 and 2018 were as follows:

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
30 September 2019 (unaudited)					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,720,903,576)	11,726,641,206
	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 December 2018					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,767,788,353)	11,679,756,429

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

	Number of shares Common	Nominal (placement) amount Common
31 December 2017	10,993,816,819	39,461
Issue of common shares	758,687,723	65,332
Purchases of treasury shares	(5,402,734)	(456)
Sale of treasury shares	2,943,849	657
Purchases of treasury shares due to the legal merger	(66,981,902)	(7,391)
30 September 2018 (unaudited)	11,683,063,755	97,603
31 December 2018	11,679,756,429	97,586
Purchases of treasury shares	(1,839,255)	(215)
Sale of treasury shares	48,724,032	5,121
30 September 2019 (unaudited)	11,726,641,206	102,492

Common shares

As at 30 September 2019 and 31 December 2018, share capital comprised KZT 209,027 million. As at 30 September 2019, the Group held 1,720,903,576 shares of the Group's common shares as treasury shares at KZT 106,535 million (31 December 2018 - 1,767,788,353 at KZT 111,441 million).

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

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

20. Commitments and contingencies

Financial commitments and contingencies

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

	30 September 2019 (unaudited)	31 December 2018
Guarantees issued	402,926	415,531
Commercial letters of credit	75,442	66,502
Commitments to extend credit	44,392	49,022
Financial commitments and contingencies	522,760	531,055
Less: cash collateral against letters of credit	(33,496)	(31,015)
Less: provisions (Note 16)	(3,256)	(2,546)
Financial commitments and contingencies, net	486,008	497,494

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 September 2019, the ten largest guarantees accounted for 57% of the Group's total financial guarantees (as at 31 December 2018 – 67%) and represented 19% of the Group's total equity (as at 31 December 2018 – 26%).

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 September 2019, the ten largest unsecured letters of credit accounted for 56% of the Group's total commercial letters of credit (31 December 2018 – 55%) and represented 3% of the Group's total equity (31 December 2018 – 3%).

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

Capital commitments

As at 30 September 2019, the Group had commitments for capital expenditures in respect of construction in progress in the amount of KZT 165 million (31 December 2018 – KZT 736 million).

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

21. Net interest income

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Interest income:				
Loans to customers	114,214	110,311	331,477	319,846
Financial assets at fair value through other comprehensive income	24,860	22,774	84,903	76,026
Debt securities at amortized cost, net of allowance for expected credit losses	23,517	23,244	70,345	70,907
Cash and cash equivalents and amounts due from credit institutions	7,753	7,609	31,650	25,948
Other financial assets	2,547	2,010	7,056	5,263
Interest income calculated using effective interest method	172,891	165,948	525,431	497,990
Financial assets at fair value through profit or loss	2,414	1,919	5,958	4,616
Other interest income	2,414	1,919	5,958	4,616
Total interest income	175,305	167,867	531,389	502,606
Interest expense:				
Amounts due to customers	(52,397)	(62,070)	(163,735)	(186,513)
Debt securities issued	(19,134)	(20,125)	(64,259)	(64,222)
Amounts due to credit institutions	(1,309)	(849)	(3,351)	(2,639)
Other interest expense	(357)	-	(7,526)	-
Other financial liabilities	(1)	-	(151)	-
Total interest expense	(73,198)	(83,044)	(239,022)	(253,374)
Net interest income	102,107	84,823	292,367	249,232

The total interest income calculated using the EIR method for financial assets at FVTOCI is KZT 24,860 million and KZT 84,903 million for the three and nine months ended 30 September 2019, respectively (three and nine months ended 30 September 2018: KZT 22,774 and KZT 76,026 million, respectively) and for financial assets measured at amortised cost is KZT 148,031 and KZT 440,528 million during the three and nine months ended 30 September 2019 (three and nine months ended 30 September 2018: KZT 143,174 million and KZT 421,964 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortised cost is KZT 73,198 million and KZT 239,022 million during the three and nine months ended 30 September 2019 (three and nine months ended 30 September 2018: KZT 83,044 million and KZT 253,374 million).

22. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Payment cards operations	16,760	13,561	45,609	38,799
Bank transfers - settlements	4,228	4,195	11,554	12,647
Cash operations	2,821	3,712	8,283	9,268
Letters of credit and guarantees issued	2,552	1,805	7,305	5,065
Servicing customers' pension payments	2,031	2,116	6,041	6,038
Bank transfers - salary projects	1,564	1,632	5,088	5,356
Maintenance of customer accounts	922	1,149	2,430	3,337
Other	1,234	1,180	3,486	3,226
Total fee and commission income	32,112	29,350	89,796	83,736

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Fee and commission expense comprises the following:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Payment cards	(10,032)	(5,893)	(26,239)	(15,464)
Deposit insurance	(2,967)	(2,941)	(8,837)	(9,234)
Bank transfers	(324)	(158)	(956)	(916)
Cash operations	(267)	(272)	(765)	(690)
Commission paid to collectors	(76)	(147)	(244)	(356)
Other	(913)	(788)	(2,294)	(1,512)
Total fee and commission expense	(14,579)	(10,199)	(39,335)	(28,172)

23. 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 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:				
Realized net (loss)/gain on derivative operations	(4,668)	23,484	(9,599)	16,833
Unrealized net gain/(loss) on trading and derivative operations*	18,320	31,517	(669)	63,952
Realized net (loss)/gain on trading operations	(2,088)	708	(657)	3,687
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	11,564	55,709	(10,925)	84,472

*For the nine months ended 30 September 2018, the gain occurred as a result of the weakening of the tenge against the US dollar and relates to the revaluation of the cross-currency swap with NBRK.

24. Net (loss)/gain on foreign exchange operations

Net foreign exchange (loss)/gain comprises:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Dealing, net	9,279	10,763	26,708	25,816
Translation differences, net	(11,355)	(42,755)	3,695	(62,870)
Total net foreign exchange (loss)/gain	(2,076)	(31,992)	30,403	(37,054)

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

25. Insurance underwriting income

Insurance underwriting income/(expense) comprised:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Insurance premiums written, gross	34,304	25,360	103,469	83,221
Ceded reinsurance share	(6,802)	(7,596)	(29,384)	(28,332)
Change in unearned insurance premiums, net	(4,079)	(158)	(6,622)	(5,164)
Total insurance underwriting income	23,423	17,606	67,463	49,725
Commissions to agents	(11,772)	(7,492)	(27,890)	(20,732)
Insurance reserves expenses	(9,701)	(7,703)	(23,675)	(14,431)
Insurance payments	(1,322)	(1,212)	(12,128)	(11,575)
Total insurance claims incurred, net of reinsurance	(22,795)	(16,407)	(63,693)	(46,738)
Net insurance income	628	1,199	3,770	2,987

26. Operating expenses

Operating expenses comprised:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Salaries and other employee benefits	20,385	19,720	57,170	59,557
Depreciation and amortization expenses	2,633	2,684	8,469	8,302
Taxes other than income tax	1,934	2,230	5,402	5,482
Security	1,317	507	3,274	3,204
Insurance agent fees	1,145	386	3,025	1,312
Information services	1,123	2,133	3,144	3,845
Communication	1,090	1,259	3,011	3,226
Utilities expenses	1,017	760	3,052	2,478
Rent	824	1,244	2,460	3,806
Repairs and maintenance	586	288	2,412	3,069
Stationery and office supplies	398	640	1,108	1,397
Business trip expenses	377	242	968	792
Advertisement	291	131	901	995
Professional services	213	583	529	1,483
Transportation	192	203	591	649
Other	710	1,031	1,984	3,380
Total operating expenses	34,235	34,041	97,500	102,977

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

27. Earnings per share

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 September 2019 (unaudited)	Three months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Basic and diluted earnings per share				
Net profit for the period attributable to equity holders of the parent	87,159	77,787	251,388	163,961
Earnings attributable to common shareholders	87,159	77,787	251,388	163,961
Earnings for the period from continuing operations	87,159	77,787	251,388	153,987
Earnings for the period from discontinued operations	-	-	-	9,974
Weighted average number of common shares for the purposes of basic earnings per share	11,710,014,328	11,750,545,493	11,690,198,797	11,174,506,106
Basic and diluted earnings per share (in Tenge)	7.44	6.62	21.50	14.67
Basic and diluted earnings per share from continuing operations (in Tenge)	7.44	6.62	21.50	13.78
Basic and diluted earnings per share from discontinued operations (in Tenge)	-	-	-	0.89

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As required by KASE rules for listed companies, the book value of one share per each class of shares as at 30 September 2019 and 31 December 2018 is disclosed as follows:

Class of shares	30 September 2019 (unaudited)		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,726,641,206	1,218,041	103.87
		1,218,041	

Class of shares	31 December 2018		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,679,756,429	1,057,211	90.52
		1,057,211	

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

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

28. 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/currency 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.

The risk management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, 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.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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 interim condensed 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.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	30 September 2019 (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	1,728,246	5,158	-	-	-	1,733,404
Obligatory reserves	81,153	12,973	37,106	3,730	998	135,960
Financial assets at fair value through profit or loss	52,513	138	17,389	25,934	44,192	140,166
Amounts due from credit institutions	14,725	21,134	7,733	4,204	389	48,185
Financial assets at fair value through other comprehensive income	37,055	157,598	756,563	255,977	426,627	1,633,820
Debt securities at amortized cost, net of allowance for expected credit losses	2,874	90	26,533	658,942	500,760	1,189,199
Loans to customers	217,885	419,969	2,002,683	762,945	163,228	3,566,710
Other financial assets	30,244	4,333	27,629	23,509	10,291	96,006
	2,164,695	621,393	2,875,636	1,735,241	1,146,485	8,543,450
FINANCIAL LIABILITIES:						
Amounts due to customers	2,768,846	533,878	1,947,225	525,452	415,316	6,190,717
Amounts due to credit institutions	194,321	10,186	1,785	17,926	112,993	337,211
Financial liabilities at fair value through profit or loss	1,203	-	-	834	-	2,037
Debt securities issued	10,039	69,974	9,461	515,756	313,924	919,154
Lease liabilities	-	-	1,234	3,306	-	4,540
Other financial liabilities	47,728	1,826	2,970	42	128	52,694
	3,022,137	615,864	1,962,675	1,063,316	842,361	7,506,353
Net position	(857,442)	5,529	912,961	671,925	304,124	
Accumulated gap	(857,422)	(851,913)	61,048	732,973	1,037,097	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued) (millions of Kazakhstani Tenge)

	31 December 2018					
	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	1,755,138	-	-	-	-	1,755,138
Obligatory reserves	72,066	7,396	21,505	11,296	3,478	115,741
Financial assets at fair value through profit or loss	89,418	-	91,252	6,166	-	186,836
Amounts due from credit institutions	21,195	4,187	26,766	2,398	489	55,035
Financial assets at fair value through other comprehensive income	678,181	270,338	173,678	313,840	329,896	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	11,814	1,298	36,170	504,704	501,921	1,055,907
Loans to customers	243,746	355,008	2,026,943	677,369	178,013	3,481,079
Other financial assets	40,610	4,244	1,324	15,250	14,290	75,718
	2,912,168	642,471	2,377,638	1,531,023	1,028,087	8,491,387
FINANCIAL LIABILITIES:						
Amounts due to customers	3,889,116	376,688	1,419,536	589,345	252,245	6,526,930
Amounts due to credit institutions	35,645	372	3,913	15,196	113,253	168,379
Financial liabilities at fair value through profit or loss	2,473	16	4,330	203	-	7,022
Debt securities issued	13,751	3,785	66,768	493,465	323,022	900,791
Other financial liabilities	21,005	2,475	2,654	864	14	27,012
	3,961,990	383,336	1,497,201	1,099,073	688,534	7,630,134
Net position	(1,049,822)	259,135	880,437	431,950	339,553	
Accumulated gap	(1,049,822)	(790,687)	89,750	521,700	861,253	

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.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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 interim condensed 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 interim condensed consolidated statement of financial position.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued) (millions of Kazakhstani Tenge)

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

	30 September 2019 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,016,495	110,117	15,477	334,079	1,476,168	257,236	1,733,404
Obligatory reserves	81,526	4,796	1,288	2,270	89,880	46,080	135,960
Financial assets at fair value through profit or loss	23,651	-	30	3,335	27,016	113,150	140,166
Amounts due from credit institutions	15,581	143	423	1,651	17,798	30,387	48,185
Financial assets at fair value through other comprehensive income	750,218	28,414	4,694	-	783,326	850,494	1,633,820
Debt securities at amortized cost, net of allowance for expected credit losses	155,642	-	3,942	7,832	167,416	1,021,783	1,189,199
Loans to customers	938,941	16,906	26,668	31,192	1,013,707	2,553,003	3,566,710
Other financial assets	4,097	700	1,851	540	7,188	88,818	96,006
	2,986,151	161,076	54,373	380,899	3,582,499	4,960,951	8,543,450
FINANCIAL LIABILITIES:							
Amounts due to customers	3,149,120	128,155	39,276	39,647	3,356,198	2,834,519	6,190,717
Amounts due to credit institutions	16,372	2,461	153	2,769	21,755	315,456	337,211
Financial liabilities at fair value through profit or loss	-	-	866	-	866	1,171	2,037
Debt securities issued	418,439	-	-	-	418,439	500,715	919,154
Other financial liabilities	2,076	744	1,492	1,884	6,196	51,038	57,234
	3,586,007	131,360	41,787	44,300	3,803,454	3,702,899	7,506,353
Net position – on balance	(599,856)	29,716	12,586	336,599	(220,955)	1,258,052	1,037,097
Net position – off-balance	645,006	(28,389)	(27,784)	(311,952)	276,881	(295,008)	
Net position	45,150	1,327	(15,198)	24,647	55,926	963,044	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	31 December 2018						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,031,248	136,251	35,083	216,857	1,419,439	335,699	1,755,138
Obligatory reserves	58,565	2,663	3,999	1,879	67,106	48,635	115,741
Financial assets at fair value through profit or loss	12,582	-	4,396	2,633	19,611	167,225	186,836
Amounts due from credit institutions	13,128	2,775	6,632	-	22,535	32,500	55,035
Financial assets at fair value through other comprehensive income	598,380	26,555	4,098	-	629,033	1,136,900	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	375	-	4,567	6,026	10,968	1,044,939	1,055,907
Loans to customers	1,083,801	8,538	23,729	24,630	1,140,698	2,340,381	3,481,079
Other financial assets	7,371	805	502	763	9,441	66,277	75,718
	2,805,450	177,587	83,006	252,788	3,318,831	5,172,556	8,491,387
FINANCIAL LIABILITIES:							
Amounts due to customers	3,388,503	131,505	66,443	32,970	3,619,421	2,907,509	6,526,930
Amounts due to credit institutions	26,892	1,628	555	1,101	30,176	138,203	168,379
Financial liabilities at fair value through profit or loss	-	-	209	-	209	6,813	7,022
Debt securities issued	405,537	-	352	-	405,889	494,902	900,791
Other financial liabilities	1,389	501	449	811	3,150	23,862	27,012
	3,822,321	133,634	68,008	34,882	4,058,845	3,571,289	7,630,134
Net position – on balance	(1,016,871)	43,953	14,998	217,906	(740,014)	1,601,267	861,253
Net position – off-balance	1,058,084	(45,694)	(16,437)	(197,675)	798,278	(700,861)	
Net position	41,213	(1,741)	(1,439)	20,231	58,264	900,406	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

29. Segment analysis

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

No significant changes in the Group segments occurred during the nine months ended 30 September 2019 in comparison with the year ended 31 December 2018.

There were no transactions between business segments during the nine months ended 30 September 2019 and 2018.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 30 September 2019 and 2018 and for the nine months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 30 September 2019 and for the nine months then ended (unaudited)						
External revenues	202,683	202,643	72,884	165,324	105,908	749,442
Total revenues	202,683	202,643	72,884	165,324	105,908	749,442
Total revenues comprise:						
- Interest income	134,597	190,078	45,492	161,206	16	531,389
- Fee and commission income, including:	61,571	10,603	17,222	-	400	89,796
<i>Payment cards operations</i>	44,875	50	568	-	116	45,609
<i>Bank transfers - settlements</i>	3,899	2,338	5,270	-	47	11,554
<i>Cash operations</i>	1,128	1,313	5,821	-	21	8,283
<i>Letters of credit and guarantees issued</i>	1	5,937	1,336	-	31	7,305
<i>Servicing customers' pension payments</i>	6,041	-	-	-	-	6,041
<i>Bank transfers - salary projects</i>	5,088	-	-	-	-	5,088
<i>Maintenance of customer accounts</i>	236	97	2,097	-	-	2,430
<i>Other</i>	303	868	2,130	-	185	3,486
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	4,047	-	4,047
- Net gain on foreign exchange operations	6,515	1,962	10,170	71	11,685	30,403
- Share in profit of associate	-	-	-	-	4,817	4,817
- Insurance underwriting income and other income	-	-	-	-	88,990	88,990
Total revenues	202,683	202,643	72,884	165,324	105,908	749,442
- Interest expense	(100,646)	(65,677)	(8,227)	(64,259)	(213)	(239,022)
- Credit loss expense	(5,702)	(9,049)	(4,743)	(1,329)	(317)	(21,140)
- Fee and commission expense	(34,782)	(2,732)	(401)	(124)	(1,296)	(39,335)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(9,201)	-	(1,724)	-	(10,925)
- Operating expenses	(51,980)	(5,214)	(13,009)	(572)	(26,725)	(97,500)
- Recoveries of other credit loss expense/ (other credit loss expense)	21	(1,297)	186	-	403	(687)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(63,693)	(63,693)
Total expenses	(193,089)	(93,170)	(26,194)	(68,008)	(91,841)	(472,302)
Segment result	9,594	109,473	46,690	97,316	14,067	277,140
Income before income tax expense						277,140
Income tax expense					(25,752)	(25,752)
Net profit						251,388
Total segment assets	918,525	3,896,259	546,277	2,955,170	676,260	8,992,491
Total segment liabilities	3,226,405	2,594,583	832,065	919,154	193,496	7,765,703
Other segment items:						
Capital expenditures					(12,771)	(12,771)
Depreciation and amortization					(8,469)	(8,469)
Investments in associate						25,798

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued) (millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the nine months ended 30 September 2018 (unaudited)						
External revenues	187,855	263,646	63,312	157,668	79,838	752,319
Total revenues	187,855	263,646	63,312	157,668	79,838	752,319
Total revenues comprise:						
- Interest income	128,715	173,898	47,401	151,769	823	502,606
- Fee and commission income	58,645	7,577	15,401	379	1,734	83,736
- Net gain from financial assets and liabilities at fair value through profit or loss	-	82,359	-	2,113	-	84,472
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	3,407	-	3,407
- Insurance underwriting income and other income	-	-	-	-	73,337	73,337
- Share in profit of associate	-	-	-	-	1,716	1,716
- Recoveries of other credit loss expense/(other credit loss expense)	495	(188)	510	-	2,228	3,045
Total revenues	187,855	263,646	63,312	157,668	79,838	752,319
- Interest expense	(120,447)	(60,821)	(7,883)	(64,223)	-	(253,374)
- (Credit loss expense)/recovery of credit loss expense	(22,360)	4,368	(2,735)	78	(10,493)	(31,142)
- Fee and commission expense	(11,008)	(796)	(696)	(119)	(15,553)	(28,172)
- Operating expenses	(59,714)	(5,426)	(13,468)	(6,602)	(17,767)	(102,977)
- Loss from impairment of non-financial assets	-	-	-	-	(31,538)	(31,538)
- Net gain/(loss) on foreign exchange operations	11,007	(70,294)	9,782	438	12,013	(37,054)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(46,738)	(46,738)
Total expenses	(202,522)	(132,969)	(15,000)	(70,428)	(110,076)	(530,995)
Segment result	(14,667)	130,677	48,312	87,240	(30,238)	221,324
Income before income tax expense						221,324
Income tax expense					(68,144)	(68,144)
Profit for the period from discontinued operation					9,974	9,974
Net profit						163,154
31 December 2018:						
Total segment assets	852,537	3,886,875	570,144	2,910,825	738,643	8,959,024
Total segment liabilities	3,342,535	2,409,386	907,574	900,790	333,093	7,893,378
Other segment items:						
Capital expenditures					(4,281)	(4,281)
Depreciation and amortization					(8,302)	(8,302)
Investments in associate						20,437

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 30 September 2019 and 31 December 2018 and for the nine months ended 30 September 2019 and 2018.

	Kazakhstan	OECD	Non-OECD	Total
30 September 2019 (unaudited)				
Total assets	7,651,628	1,153,666	187,197	8,992,491
31 December 2018				
Total assets	8,060,035	686,565	212,424	8,959,024
Nine months ended 30 September 2019 (unaudited)				
External revenues	702,107	30,290	17,045	749,442
Capital expenditures	(12,771)	-	-	(12,771)
Nine months ended 30 September 2018 (unaudited)				
External revenues	714,652	20,281	17,386	752,319
Capital expenditures	(4,281)	-	-	(4,281)

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.

30. Fair values of financial instruments

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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

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

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

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology as at 30 September 2019 and 31 December 2018, before any allowances for expected credit losses.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 September 2019 (unaudited)	31 December 2018				
Non-derivative financial assets at fair value through profit or loss (Note 6)	134,724	88,825	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	207	158	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 6)	1,028	2,582	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 6)	4,207	95,271	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	140,166	186,836				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	2,037	7,022	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	2,037	7,022				

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 September 2019 (unaudited)	31 December 2018				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	1,631,513	1,763,715	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 8)	2,254	2,165	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 8)	53	53	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	1,633,820	1,765,933				

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the nine months ended 30 September 2019 and 2018.

	Financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehen- sive income (Level 3)	Derivative financial liabilities at fair value through profit or loss (Level 3)
31 December 2017	39,576	18	492
Purchases	30,987	-	-
Redemption	(71,875)	-	(1,000)
Gain to profit or loss	21,735	-	508
30 September 2018 (unaudited)	61,311	18	-
31 December 2018	95,271	53	-
Loss to profit or loss	(8,543)	-	-
Redemption	(82,521)	-	-
30 September 2019 (unaudited)	4,207	53	-

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.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(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 September 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	48,185	42,342	55,035	54,966
Loans to customers	3,566,710	3,478,070	3,481,079	3,474,191
Debt securities at amortized cost, net of allowance for expected credit losses	1,189,199	934,749	1,055,907	1,088,278
Financial liabilities				
Amounts due to customers	6,190,717	6,220,840	6,526,930	6,692,308
Amounts due to credit institutions	337,211	362,928	168,379	153,758
Debt securities issued	919,154	916,343	900,791	968,989
	30 September 2019 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	42,342	-	42,342
Loans to customers	-	-	3,478,070	3,478,070
Debt securities at amortized cost, net of allowance for expected credit losses	-	934,749	-	934,749
Financial liabilities				
Amounts due to customers	-	6,220,840	-	6,220,840
Amounts due to credit institutions	-	362,928	-	362,928
Debt securities issued	916,343	-	-	916,343
	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	54,966	-	54,966
Loans to customers	-	-	3,474,191	3,474,191
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,088,278	-	1,088,278
Financial liabilities				
Amounts due to customers	-	6,692,308	-	6,692,308
Amounts due to credit institutions	-	153,758	-	153,758
Debt securities issued	968,989	-	-	968,989

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.

31. 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.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 30 September 2019 and 31 December 2018, the Group had the following outstanding balances with related parties:

	30 September 2019 (unaudited)		31 December 2018	
	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 expected credit losses	19	3,990,965	1,746	3,890,872
- entities with joint control or significant influence over the entity	-		1,640	
- key management personnel of the entity or its parent	2		86	
- other related parties	17		20	
Allowance for expected credit losses	(2)	(424,255)	(18)	(409,793)
- entities with joint control or significant influence over the entity	-		(16)	
- key management personnel of the entity or its parent	-		(1)	
- other related parties	(2)		(1)	
Amounts due to customers	250,924	6,190,717	252,136	6,526,930
- the parent	109,798		69,882	
- entities with joint control or significant influence over the entity	2,059		9,480	
- key management personnel of the entity or its parent	9,576		11,076	
- other related parties	129,491		161,698	

The following amounts resulted from transactions with related parties and have been reflected in the interim condensed consolidated income statement of profit or loss for the nine months ended 30 September 2019 and 2018:

	Nine months ended 30 September 2019 (unaudited)		Nine months ended 30 September 2018 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income calculated using effective interest method	52	525,431	285	497,990
- entities with joint control or significant influence over the entity	51		100	
- key management personnel of the entity or its Parent	-		10	
- other related parties	1		175	
Other interest income	-	5,958	-	4,616
Interest expense	(3,249)	(239,022)	(2,943)	(253,374)
- the Parent	(1,182)		(1,584)	
- entities with joint control or significant influence over the entity	(114)		(13)	
- key management personnel of the entity or its Parent	(107)		(172)	
- other related parties	(1,846)		(1,174)	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Nine months ended 30 September 2019 (unaudited)		Nine months ended 30 September 2018 (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:				
- short-term employee benefits	2,268	57,170	2,980	59,557

32. Subsequent events

On 4 October 2019, JSC HG Almex announced that it has successfully completed the fully marketed offering of 29.32 million GDRs, each representing an interest in 40 common shares of the Bank. The number of GDRs sold in the GDR Offering represents 10% of the Bank's outstanding shares. The GDR Offering targeted a wide range of qualified institutional investors outside of Kazakhstan and domestic investors in Kazakhstan, through an offering on the AIX pursuant to the rules and regulations of the AIX Offering.

On 14 November 2019, the Bank redeemed coupon bonds issued in November 2014 with an initial placement amount of KZT 59,889 million. The repayment was made from the Bank's own funds.