

---

**JOINT STOCK COMPANY  
BANK CENTERCREDIT**

**EXPLANATORY NOTE  
TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

---

# JOINT STOCK COMPANY BANK CENTERCREDIT

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2017

*(in Kazakhstani Tenge and in millions, unless otherwise stated)*

### 1. ORGANIZATION

JSC Bank CenterCredit (“the Bank”) is a Joint Stock Company (“JSC”), which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Bank is regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank conducts its business under license number 1.2.25/195/34, renewed on 28 January 2015. On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank’s issued ordinary share capital. As at 31 December 2016, Kookmin Bank’s share was 41.93% and the International Financial Corporation’s (“IFC”) share was 10% of the issued capital of the Bank.

The Bank’s primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (“the KDIF”).

The registered address is: 38, Al Farabi Ave., Almaty, the Republic of Kazakhstan.

As at 30 June 2017 and 2016, the Bank had 19 and 19 branches in the Republic of Kazakhstan.

The Bank is a parent company of a banking group (“the Group”) which consists of the following subsidiaries consolidated in its consolidated financial statements:

Name	Country of operation	Ownership ratio		Type of operation
		30 June 2017	30 June 2016	
LLP Center Leasing	Republic of Kazakhstan	0%	90.75%	Finance lease
JSC BCC Invest	Republic of Kazakhstan	95.19%	95.19%	Brokerage and dealer activity
LLP BCC-OUSA	Republic of Kazakhstan	100%	100%	Management of distressed assets

In September 2002, LLP Center Leasing was established as a limited liability partnership in accordance with the legislation of the Republic of Kazakhstan. The main activity of LLP Center Leasing is leasing operations. The process of closing this subsidiary has been conducted since 2016.

In May 1998, JSC BCC Invest was established as a limited liability partnership (previously named “LLP KIB ASSET MANAGEMENT”) in accordance with legislation of the Republic of Kazakhstan. On 26 September 2006, LLP KIB ASSET MANAGEMENT was registered as a joint stock company. The main activity of JSC BCC Invest consists of management of assets of mutual funds and management of investment portfolios.

Republic of Kazakhstan on Issues of Regulating Banking Activity and Financial Institutions in the part of Risk Minimization” was adopted in Kazakhstan, this law stipulates creation by second tier banks of special subsidiaries which will buy non-performing (distressed) assets of banks and manage them. On 21 August 2013, special subsidiary of the Bank, LLP BCC OUSA, company for management of distressed banks, was registered by the Ministry of Justice of the Republic of Kazakhstan.

In March 2017, the Bank’s shareholder, Bakhytbek Rymbekovich Baiseitov, purchased from INTERNATIONAL FINANCE CORPORATION (“IFC”), the Bank’s common shares totaled 10.0% of total outstanding shares of the Bank. The changes are registered in the system of securities holders register on 15 March 2017.

On 17 April 2017, the following changes occurred in the ownership structure of the Bank. The Bank's shareholder, KOOKMIN BANK, holding 41,93% of total outstanding shares of the Bank, sold its entire common and preferred shares to JSC Tsesnabank, JSC Financial holding Tsesna and Bakhytbek Rymbekovich Baiseitov. Ownership structure is as follows:

	30 June 2017 %	30 June 2016 %
Kookmin Bank	-	41.93
B.R.Baiseitov	36.26	25.60
JSC Tsesnabank	27.96	-
JSC Financial holding Tsesna	13.42	-
IFC	-	10.00
Others (individually holding less than 5% of shares)	22.36	22.47
Total	<u>100.00</u>	<u>100.00</u>

These consolidated financial statements were authorized for issue by the Management Board of JSC Bank CenterCredit on 11 August 2017.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### Accounting basis

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Investments in subsidiaries were carried at historical cost.

These consolidated financial statements shall be read in conjunction with the consolidated financial statements, authorized for issue by the Bank's Management Board on 7 March 2017.

### Functional currency

Items included in the consolidated financial statements of the Bank are measured in the currency of primary economic environment, in which the entity operates ("functional currency"). The Bank's functional currency is the Kazakhstani tenge. The presentation currency of these consolidated financial statements of the Bank is the Kazakhstani tenge ("KZT"). All values are rounded to the nearest million tenge, unless otherwise stated.

The Bank maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Board of Directors of the Bank.

### Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all payments on debt instrument paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition of debt instrument.

If a financial asset or group of similar financial assets was written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

### **Recognition of income on repurchase and reverse repurchase agreements**

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the consolidated statement of profit or loss based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

### **Recognition of fee and commission income and expense**

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in profit or loss when the syndication has been completed. All other commissions are recognized when services are provided.

### **Financial instruments**

The Bank recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other income/(expense)' and 'interest income' line item, respectively, in the statement of profit or loss, and other comprehensive income.

#### **Investments held to maturity**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

#### **Investments available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Bank that are traded in an active market are classified as AFS and are stated at fair value. The Bank also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value.

#### **Loans issued and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the National Bank of Kazakhstan, due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### **Securities repurchase and reverse repurchase agreements and securities lending transactions**

In the normal course of business, the Bank enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos").

Repos and reverse repos are utilized by the Bank as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within due from banks and/or loans to customers.

The Bank enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

The transfer of securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred.

### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was

recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### **Individual assessment of impairment of loans to customers**

Individual assessment of impairment losses is calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of the borrower and net realizable value of any collateral held and the timing of anticipated receipts. The impairment allowances on individually significant loans are reviewed at least quarterly and more regularly if circumstances required.

Those loans with outstanding amount of debt exceeding certain amount are considered to be individually significant loans. All individually significant loans are assessed for the indicators of impairment, such as overdue of more than 90 days, worsening of credit rating of the borrower, prolongations, restructuring and debt forgiveness related to deterioration of financial condition of the borrower.

If the borrower has any of the four indicators of impairment on any of its loans exceeding threshold, the borrower belongs to the group of individually significant loans. These borrowers are analysed and assessed for impairment on an individual basis.

### **Collective assessment of impairment of loans to customers**

The methodology based on historical loss experience is used to estimate inherent incurred loss on groups of assets for collective evaluation of impairment. Such methodology incorporates factors such as type of product and borrowers, credit rating, portfolio size, loss emergence period, recovery period and applies probability of default on each assets (or pool of assets) and loss given default by type of collateral. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If the borrower has no impairment indicators on any of its loans then it is included in the category of non-impaired loans which are not individually significant and assessed on a collective basis. Collective assessment of impairment in respect of group of loans with similar characteristics is performed using roll rate analysis.

### **Renegotiated loans**

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

### **Write-off of loans and advances**

Loans and advances are written off against the allowance for impairment losses based on the decision of the Bank's authorized body, after the Bank has exercised all possible measures for recovery of the overdue debt, and the possibility of recovery of these amounts is low or does not exist. Subsequently, if in the assessment of the authorized body, a loan previously written off is deemed recoverable, the amounts previously written off are recorded in loans to customers and banks and the related allowance for impairment loss accounts.

### **Derecognition of financial assets**

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent and term deposits with the National Bank of the Republic of Kazakhstan with original maturity of less or equal to three months days and amounts due from credit institutions with original maturity of less or equal to three months and are free from contractual encumbrances.

### **Obligatory reserves**

Obligatory reserves represent mandatory reserve deposits with the National Bank of the Republic of Kazakhstan which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

### **Due from banks**

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Amounts due from banks are carried net of any allowance for impairment losses.



## **Financial liabilities and equity instruments issued**

### **Classification as debt or equity**

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### **Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest expenses' line item in the consolidated statement of profit or loss.

### **Other financial liabilities**

Other financial liabilities (including depository instruments with the National Bank of Republic Kazakhstan, deposits by banks and customers, repurchase agreements, debt securities issued, other

borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 «Provisions, Contingent Liabilities and Contingent Assets»; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

### **Derecognition of financial liabilities**

The Bank derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

### **Derivative financial instruments**

#### **Swaps**

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

#### **Embedded derivatives**

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts.

#### **Leases**

---

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **The Bank as lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **The Bank as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Bank is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Bank will retain a non-controlling interest in its former subsidiary after the sale.

When the Bank is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Bank discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Bank discontinues the use of the equity method at the time of disposal when the disposal results in the Bank losing significant influence over the associate or joint venture.

After the disposal takes place, the Bank accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Bank uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### **Repossessed property**

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed property is measured at the lower of carrying amount and fair value less costs to sell.

## Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment except for the buildings and constructions which are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings and other real estate	1.25-2.50%
Furniture and computer equipment	7.00-20.00%
Intangible assets	12.00-60.00%

Any revaluation increase arising on the revaluation of buildings and constructions is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings and constructions is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and constructions is charged to the statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual

cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current income tax**

The tax currently payable is based on taxable profit for the year. Taxable profit before tax differs from net profit before tax as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Share capital**

Share capital is recognized at historical cost.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares repurchased from shareholders are recognized at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is charged to share capital (if positive) or to retained earnings (if negative). Where repurchased treasury shares are retired, the carrying value thereof is reduced by the amount paid by the Bank at repurchase thereof, with the share capital respectively reduced by the par value of such retired shares restated, where applicable, for inflation, and the resulting difference is charged to retained earnings.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for 2016, except for the impact of the adoption of the following amended standards:

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;  
Amendments to IFRS 1 Disclosure Initiative;  
Amendments to IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;  
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception;  
IFRS 14 Regulatory Deferral Accounts;  
Amendments to IAS 27 Equity Method in Concolidated Financial Statements;  
Annual Improvements to IFRSs, 2012-2014 Cycle.

#### **Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations**

Amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

---

Amendments to IFRS 11 are effective prospectively for the acquisition of a joint operation that constitutes a business for financial years beginning on or after 1 January 2016. The application of these amendments to IFRS 11 may have impact on the Group's consolidated financial statements once the Group has any such transaction.

#### **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice, how to present line items and subtotals in the statements of financial position, profit or loss and other comprehensive income. In addition, amendments state that management has flexibility as to the order of presenting the notes to financial statements. The application of these amendments to IAS 1 has no material impact on the Group's consolidated financial statements.

#### **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly the application of these amendments to IAS 16 and IAS 38 did not have a material impact on the Group's consolidated financial statements.

#### **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to IFRS 10, IFRS 12 and IAS 28 has no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

#### **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 has no impact on the Group's financial statements as the Group is not an IFRS first-time adopter.

#### **Amendments to IAS 27 Equity Method in Consolidated Financial Statements**

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. There is no

---

impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

#### **Annual Improvements to IFRSs 2012-2014 Cycle**

The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

#### 4. NET INTEREST INCOME

	For three months ended 30 June 2017 (unaudited)	For three months ended 30 June 2016 (unaudited)	For six months ended 30 June 2017 (unaudited)	For six months ended 30 June 2016 (unaudited)
<b>Interest income:</b>				
Interest income on financial assets recorded at amortized cost :				
- interest income on unimpaired financial assets	15,771	18,454	32,714	36,465
- interest income on impaired financial assets	10,400	3,333	14,939	6,380
Interest income on financial assets at fair value	2,382	1,895	5,114	3,738
<b>Total interest income</b>	<b>28,553</b>	<b>23,682</b>	<b>52,767</b>	<b>46,583</b>
Interest income on financial assets recorded at amortized cost:				
Interest on loans to customers and banks	25,392	21,121	46,154	41,424
Interest on investments held-to-maturity	325	211	750	420
Penalties on loans to customers and banks	277	89	360	353
Interest on due from banks	177	366	389	648
<b>Total interest income on financial assets recorded at amortized cost</b>	<b>26,171</b>	<b>21,787</b>	<b>47,653</b>	<b>42,845</b>
Interest income on financial assets at fair value:				
Interest income on financial assets available- for-sale	2,083	1,637	4,529	3,229
Interest income on financial assets at fair value through profit or loss	299	258	585	509
<b>Total interest income on financial assets recorded at fair value</b>	<b>2,382</b>	<b>1,895</b>	<b>5,114</b>	<b>3,738</b>
<b>Total interest income</b>	<b>28,553</b>	<b>23,682</b>	<b>52,767</b>	<b>46,583</b>
<b>Interest expense:</b>				
Interest expense on financial liabilities at amortized cost	(16,100)	(16,000)	(32,480)	(34,449)
<b>Total interest expense</b>	<b>(16,100)</b>	<b>(16,000)</b>	<b>(32,480)</b>	<b>(34,449)</b>
Interest expense on financial liabilities at amortized cost:				
Interest on customer and banks accounts	(12,352)	(11,937)	(24,594)	(23,771)
Interest on debt securities issued	(636)	(750)	(1,450)	(1,512)
Interest on due to banks and financial institutions	(1,717)	(1,926)	(3,506)	(6,575)
Interest on subordinated bonds	(1,395)	(1,387)	(2,930)	(2,591)
<b>Total interest expense on financial liabilities at amortized cost</b>	<b>(16,100)</b>	<b>(16,000)</b>	<b>(32,480)</b>	<b>(34,449)</b>
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	<b>12,453</b>	<b>7,682</b>	<b>20,287</b>	<b>12,134</b>

Interest income on impaired assets is recognized using the method of unwinding of discount. The present value of expected future cash flows increases over time thus reducing allowance for impairment losses. This is referred to as unwinding effect that is disclosed in Note 5.



## 5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

For three months ended 30 June 2016 and 2017	Corporate loans (unaudited)	Small and medium-sized enterprises (unaudited)	Mortgage loans (unaudited)	Consumer loans (unaudited)	Business development (unaudited)	Car loans (unaudited)	Loans to banks (unaudited)	Total loans to customers and banks (unaudited)
31 March 2016 (unaudited)	82,725	2,304	4,342	6,104	9,520	26	-	105,021
Provision / (recovery of provision)**	5,042	65	1,309	125	(4,090)	(28)	10	2,433
Unwinding of discount *	(2,284)	(143)	(55)	(75)	(135)	-	-	(2,692)
Write-off of assets	(7)	(41)	(721)	(645)	(62)	(7)	-	(1,483)
Recovery of assets previously written off	128	157	420	247	130	28	-	1,110
Exchange rate difference	(806)	(44)	(44)	(48)	(82)	-	-	(1,024)
<b>30 June 2016 (unaudited)</b>	<b>84,798</b>	<b>2,298</b>	<b>5,251</b>	<b>5,708</b>	<b>5,281</b>	<b>19</b>	<b>10</b>	<b>103,365</b>
31 March 2017 (unaudited)	81,309	2,374	3,445	5,340	2,082	56	443	95,049
Provision / (recovery of provision)**	4,252	509	1,762	1,479	2,331	26	(431)	9,928
Unwinding of discount *	(3,150)	(308)	(808)	(1,037)	(579)	(13)	-	(5,895)
Write-off of assets	(755)	(96)	(658)	(787)	(13)	(7)	-	(2,316)
Recovery of assets previously written off	(5)	209	259	181	92	(5)	-	731
Exchange rate difference	(218)	106	125	201	318	1	-	533
<b>30 June 2017 (unaudited)</b>	<b>81,433</b>	<b>2,794</b>	<b>4,125</b>	<b>5,377</b>	<b>4,231</b>	<b>58</b>	<b>12</b>	<b>98,030</b>

\* Recognized in interest income

\*\* Provisions recognized during three months ended 30 June 2017 and 2016 are presented in the consolidated statement of profit or loss in "Provision for impairment losses on interest bearing assets" line

For six months ended 30 June 2016 and 2017	Corporate loans (unaudited)	Small and medium-sized enterprises (unaudited)	Mortgage loans (unaudited)	Consumer loans (unaudited)	Business development (unaudited)	Car loans (unaudited)	Loans to banks (unaudited)	Total loans to customers and banks (unaudited)
31 December 2015	119,122	6,567	6,468	7,075	12,071	23	-	151,326
Provision / (recovery of provision)**	(7,822)	259	6,642	4,386	2,248	(8)	10	5,715
Unwinding of discount *	(4,788)	(207)	(187)	(252)	(334)	-	-	(5,768)
Write-off of assets	(23,739)	(4,583)	(8,246)	(5,926)	(9,042)	(24)	-	(51,560)
Recovery of assets previously written off	128	157	470	312	146	28	-	1,241
Exchange rate difference	1,897	105	104	113	192	-	-	2,411
<b>30 June 2016 (unaudited)</b>	<b>84,798</b>	<b>2,298</b>	<b>5,251</b>	<b>5,708</b>	<b>5,281</b>	<b>19</b>	<b>10</b>	<b>103,365</b>
31 December 2016	77,955	2,191	2,585	4,140	6,551	32	13	93,467
Provision / (recovery of provision)**	10,954	871	3,320	3,478	(1,363)	56	(1)	17,315
Unwinding of discount *	(5,464)	(537)	(1,321)	(1,725)	(1,007)	(23)	-	(10,077)
Write-off of assets	(755)	(96)	(937)	(993)	(308)	(7)	-	(3,096)
Recovery of assets previously written off	-	289	388	331	127	-	-	1,135
Exchange rate difference	(1,257)	76	90	146	231	-	-	(714)
<b>30 June 2017 (unaudited)</b>	<b>81,433</b>	<b>2,794</b>	<b>4,125</b>	<b>5,377</b>	<b>4,231</b>	<b>58</b>	<b>12</b>	<b>98,030</b>

\* Recognized in interest income

\*\* Provisions recognized during six months ended 30 June 2017 and 2016 are presented in the consolidated statement of profit or loss in "Provision for impairment losses on interest bearing assets" line

The movements in provision for impairment losses on other transactions were as follows:

**For three months ended 30 June 2016 and 2017**

**Other assets**

<b>31 March 2016 (unaudited)</b>	1,455
(Recovery of provision)/provision	(28)
Exchange rate difference	(14)
	<u>1,413</u>
<b>30 June 2016 (unaudited)</b>	<u>1,413</u>
<b>31 March 2017 (unaudited)</b>	673
(Recovery of provision)/provision	17
Write-off of assets	(89)
Exchange rate difference	17
	<u>618</u>
<b>30 June 2017 (unaudited)</b>	<u>618</u>

**For six months ended 30 June 2017 and 2016**

**Other assets**

<b>31 December 2015</b>	1,654
Recovery of provision *	(443)
Write-off of assets	207
Exchange rate difference	(5)
	<u>1,413</u>
<b>30 June 2016 (unaudited)</b>	<u>1,413</u>
<b>31 December 2016</b>	949
(Recovery of provision)/provision	(323)
Write-off of assets	(426)
Exchange rate difference	418
	<u>618</u>
<b>30 June 2017 (unaudited)</b>	<u>618</u>

\* Recoveries of provisions recognized during the three and six months ended 30 June 2016 and 2017 are presented in the consolidated statement of profit or loss in "Recovery for impairment losses on other transactions" line item

The movements in provision for impairment losses on guarantees and letters of credit were as follows:

For three months ended 30 June 2016 and 2017		Guarantees and letters of credit
31 March 2016 (unaudited)		793
Recoveries of provisions		134
Exchange rate difference		10
30 June 2016 (unaudited)		937
31 March 2017 (unaudited)		2
Recoveries of provisions		118
Exchange rate difference		(20)
30 June 2017 (unaudited)		100
For six months ended 30 June 2016 and 2017		Guarantees and letters of credit
31 December 2015		510
Recoveries of provisions *		417
Exchange rate difference		10
30 June 2016 (unaudited)		937
31 December 2016		269
Provision		(139)
Exchange rate difference		(30)
30 June 2017 (unaudited)		100

## 6. COMMISSION INCOME AND EXPENSE

	For three months ended 30 June 2017 (unaudited)	For three months ended 30 June 2016 (unaudited)	For six months ended 30 June 2017 (unaudited)	For six months ended 30 June 2016 (unaudited)
Settlements	1,532	1,417	2,940	2,528
Payment cards	1,446	646	2,616	1,358
Cash operations	1,209	1,364	2,218	2,410
Guarantees	761	684	1,462	1,170
Foreign exchange operations	294	277	542	548
Internet-banking operations	168	42	338	189
Custodian activities	56	54	115	105
Trust operations	8	6	15	16
Documentary operations	25	35	53	60
Other	165	327	301	750
<b>Total fee and commission income</b>	<b>5,664</b>	<b>4,852</b>	<b>10,600</b>	<b>9,134</b>
<b>Fee and commission expense :</b>				
Settlements	(474)	(442)	(891)	(817)
Documentary operations	(129)	(106)	(260)	(236)
Custodian activities	(16)	(15)	(34)	(28)
Foreign exchange operations	(1)	(14)	(1)	(18)
Other	(21)	(18)	(48)	(40)
<b>Total fee and commission expense</b>	<b>(641)</b>	<b>(595)</b>	<b>(1,234)</b>	<b>(1,139)</b>

## 7. OPERATING EXPENSES

	For three months ended 30 June 2017 (unaudited)	For three months ended 30 June 2016 (unaudited)	For six months ended 30 June 2017 (unaudited)	For six months ended 30 June 2016 (unaudited)
Staff costs	(3,499)	(3,400)	(6,395)	(6,580)
Taxes other than income tax	(692)	(795)	(1,353)	(1,370)
Depreciation and amortization	(551)	(626)	(1,179)	(1,254)
Administrative expenses	(629)	(650)	(1,165)	(1,148)
Deposit Insurance Fund expenses	(525)	(904)	(1,091)	(1,980)
Leases expenses	(431)	(508)	(877)	(958)
Equipment repair and maintenance	(38)	(76)	(460)	(133)
Security expenses	(186)	(178)	(356)	(356)
Collection expenses	(87)	(337)	(288)	(460)
Telecommunications	(119)	(151)	(253)	(285)
Business trip expenses	(77)	(32)	(124)	(91)
Professional services	(46)	(44)	(108)	(100)
Advertising costs	(21)	(21)	(41)	(35)
Representation costs	(15)	(7)	(21)	(13)
Other expenses	(18)	(401)	(74)	(440)
<b>Total operating expenses</b>	<b>(6,934)</b>	<b>(8,130)</b>	<b>(13,785)</b>	<b>(15,203)</b>

## 8. OTHER (EXPENSE) INCOME

	For three months ended 30 June 2017 (unaudited)	For three months ended 30 June 2016 (unaudited)	For six months ended 30 June 2017 (unaudited)	For six months ended 30 June 2016 (unaudited)
Net income from selling of inventory	55	(14)	149	(24)
Other	(51)	(8)	(51)	(8)
<b>Total operating expense</b>	<b>4</b>	<b>(22)</b>	<b>98</b>	<b>(32)</b>

## 9. EARNINGS PER SHARE

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

	For three months ended 30 June 2017 (unaudited)	For three months ended 30 June 2016 (unaudited)	For six months ended 30 June 2017 (unaudited)	For six months ended 30 June 2016 (unaudited)
<b>Basic (loss)/earnings per share</b>				
Net (loss)/earnings for the year attributable to owners of the Bank	1,374	(1,414)	2,638	1,060
Less: (loss)/profit from discontinued operations used in calculation of basic loss per share from discontinued operation	-	-	-	(1,968)
Less: additional dividends that would be paid on full distributions of profit to the preference share holders	(268)	276	(514)	(177)
Net (loss)/earnings attributable to ordinary share holders	1,106	(1,138)	2,124	(1,085)
Weighted average number of ordinary shares for purposes of basic earnings per share	162,045,071	161,730,512	162,065,826	161,778,037
Basic (loss)/earnings per share (KZT)	6.83	(7.04)	13.11	(4.52)
<b>Diluted earnings per share</b>				
(Loss)/earnings used in calculation of diluted earnings per share	1,106	(1,138)	2,124	(731)
Add: additional dividends that would be paid on full distributions of profit to the preference share holders	268	(276)	514	(177)
(Loss)/earnings used in calculation of diluted earnings per share	1,374	(1,414)	2,638	(908)
Weighted average number of ordinary shares for purposes of calculation of diluted earnings per share	162,045,071	161,730,512	162,065,826	161,778,037
Shares deemed to be issued:				
Weighted average number of common shares that would be issued for the convertible preferred shares	39,249,255	39,249,255	39,249,255	39,249,255
Weighted average number of ordinary shares for purposes of diluted earnings per share	201,294,326	200,979,767	201,315,081	201,027,292
Diluted (loss)/earnings per share (KZT)	6.83	(7.04)	13.10	(4.52)

The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share, provided by KASE.

The book value of one share per each class of shares as at 30 June 2017 and 31 December 2016 is as follows:

Class of shares	30 June 2017 (unaudited)			31 December 2016		
	Outstanding shares (number outstanding)	Amount for calculation of book value KZT million	Book value of one share, KZT	Outstanding shares (number outstanding)	Amount for calculation of book value KZT million	Book value of one share, KZT
Ordinary shares	162,144,841	87,095	537	162,056,950	84,669	522
Preference shares	39,249,255	<u>11,775</u>	300	39,249,255	<u>11,775</u>	300
		<u>98,870</u>			<u>96,444</u>	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at the reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at the reporting date.

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

## 10. CASH AND CASH EQUIVALENT

	30 June 2017 (unaudited)	31 December 2016
Short-term deposits with financial institutions	136,838	194,849
Cash on hand	23,513	49,722
Cash in transit	<u>7,371</u>	<u>1,473</u>
<b>Total cash and cash equivalents</b>	<u>167,722</u>	<u>246,044</u>

Minimum reserve requirements are determined as certain percentage of average weighted balances of deposits and international borrowings in accordance with the requirements of the NBRK. As at 30 June 2017 and 31 December 2016 they were KZT 10,882 million and KZT 12,743 million, correspondingly. The Group has maintained an average balance in compliance with the NBRK requirements and thus, had the right to use the funds without any restrictions.

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

Financial assets at fair value through profit or loss comprise:

	30 June 2017 (unaudited)		31 December 2016	
Financial assets held for trading:				
Debt securities		13,410		12,001
Equity securities		558		538
<b>Total financial assets held for trading</b>		<b>13,968</b>		<b>12,539</b>
Derivative financial instruments		29,587		41,953
<b>Total financial assets at fair value through profit or loss</b>		<b>43,555</b>		<b>54,492</b>

  

	30 June 2017 (unaudited)		31 December 2016	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	4.00-9.6	4,023	4.00-11.31	3,573
Kazakhstan corporate bonds	0.00-15.00	9,333	0.00-15.00	8,402
International corporate bonds	7.4-8.8	54	7.08	26
<b>Total debt securities</b>		<b>13,410</b>		<b>12,001</b>

  

	30 June 2017 (unaudited)		31 December 2016	
<b>Equity securities*:</b>				
Shares of Kazakhstan corporations		532		538
Shares of International corporations		26		-
<b>Total equity securities</b>		<b>558</b>		<b>538</b>

\* Ownership interest in equity securities is below 1%

	Notional Value	30 June 2017 (unaudited)		Notional Value	31 December 2016	
		Asset	Liability		Asset	Liability
<b>Foreign currency contracts:</b>						
Swaps	79,110	29,587	7,879	103,947	41,953	8,424
Embedded derivative	1,622	-	720	1,622	-	803
<b>Total derivative financial instruments</b>		<b>29,587</b>	<b>8,599</b>		<b>41,953</b>	<b>9,227</b>

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are indicative of neither the market risk nor the credit risk.



Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile.

A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

## 12. INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2017 (unaudited)	31 December 2016
Debt securities	97,323	105,991
Equity securities	148	148
<b>Total investments available-for-sale</b>	<b>97,471</b>	<b>106,139</b>

	30 June 2017 (unaudited)		31 December 2016	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
<b>Debt securities:</b>				
Government bonds of the Republic of Kazakhstan	0.0-10.2	50,756	0.00-7.13	71,177
Kazakhstan corporate bonds	4.13-9.13	32,200	0.00-9.13	34,814
International corporate bonds	5.72-7.25	14,367	-	-
<b>Total debt securities</b>		<b>97,323</b>		<b>105,991</b>

	30 June 2017 (unaudited)	31 December 2016
<b>Equity securities:</b>		
Kazakhstan corporate shares	130	130
International corporate shares	18	18
<b>Total equity securities</b>	<b>148</b>	<b>148</b>
<b>Total investments available-for-sale</b>	<b>97,471</b>	<b>106,139</b>

## 13. INVESTMENTS HELD-TO-MATURITY

	30 June 2017		31 December 2016	
	Nominal interest rate, %	Amount	Nominal interest rate, %	Amount
Government bonds of the Republic of Kazakhstan	0.0-8.10	15,825	3.88-11.49	17,828
Kazakhstan corporate bonds	0	4	3.26-7.50	12,535
Russian corporate bonds	9.25	3,613	9.25	3,828
International corporate bonds	-	-	-	-
<b>Total investments held to maturity</b>		<b>19,442</b>		<b>34,191</b>

## 14. DUE FROM BANKS

	30 June 2017	31 December 2016
Time deposits	14,256	6,718
Accrued interest	367	116
<b>Total due from banks</b>	<b>14,623</b>	<b>6,834</b>

## 15. LOANS TO CUSTOMERS AND BANKS

	30 June 2017 (unaudited)	31 December 2016
Loans to customers	840,007	847,945
Net investment in finance lease	4,171	4,186
Accrued interest	37,535	37,078
	<u>881,713</u>	<u>889,209</u>
Less: allowance for impairment losses	(98,018)	(93,454)
<b>Total loans to customers</b>	<b>783,695</b>	<b>795,755</b>
Loans to banks	3,231	644
Accrued interest	36	21
	<u>(12)</u>	<u>(13)</u>
Less: allowance for impairment losses		
<b>Total loans to banks</b>	<b>3,255</b>	<b>652</b>
<b>Loans under reverse repurchase agreements</b>	<b>2,967</b>	<b>22,335</b>
<b>Total loans to customers and banks</b>	<b>789,917</b>	<b>818,742</b>

The movement in allowances for impairment losses on loans to customers and banks for the six months ended 30 June 2017 and 31 December 2016 is disclosed in Note 5.

The table below summarizes the amount of loans to customers secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Loans collateralized by real estate	613,540	635,149
Loans collateralized by goods	51,291	56,385
Loans collateralized by equipment	41,771	49,734
Loans collateralized by corporate guarantees	57,793	55,596
Loans collateralized by other assets	75,424	46,794
Loans collateralized by cash	17,759	19,382
Unsecured loans	24,135	26,169
	<u>881,713</u>	<u>889,209</u>
Less: allowance for impairment losses	(98,018)	(93,454)
<b>Total loans to customers</b>	<b>783,695</b>	<b>795,755</b>

	30 June 2017 (unaudited)	31 December 2016
<b>Analysis by sector:</b>		
Individuals	334,963	339,029
Trading	154,089	148,827
Energy	48,338	50,370
Rent of real estate	45,756	57,922
Manufacturing	40,082	40,116
Agriculture	38,577	41,421
Industrial construction	35,034	33,342
Transportation and equipment maintenance	26,138	31,408
Residential construction	26,207	22,264
Food industry	23,936	33,648
Oil and gas	17,013	18,827
Telecommunications and transport	11,784	10,535
Mass media	655	1,749
Other	79,141	59,751
	<u>881,713</u>	<u>889,209</u>
Less: allowance for impairment losses	<u>(98,018)</u>	<u>(93,454)</u>
<b>Total loans to customers</b>	<u><u>783,695</u></u>	<u><u>795,755</u></u>

Loans to customers comprise the following products:

	30 June 2017 (unaudited)	31 December 2016
<b>Loans to legal entities</b>		
Corporate loans	478,277	487,472
Small and medium-sized enterprises	68,473	62,708
	<u>546,750</u>	<u>550,180</u>
<b>Loans to individuals</b>		
Mortgage loans	140,333	146,212
Consumer loans	109,634	110,026
Business development	79,469	76,612
Car loans	5,527	6,179
	<u>334,963</u>	<u>339,029</u>
Less: allowance for impairment losses	<u>(98,018)</u>	<u>(93,454)</u>
<b>Total loans to customers</b>	<u><u>783,695</u></u>	<u><u>795,755</u></u>

As at 30 June 2017 and 31 December 2016 the Group provided loans to 16 and 16 borrowers totaling KZT 217,243 million and KZT 198,175 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

As at 30 June 2017 and 31 December 2016, a significant amount of loans (98% and 98% of total portfolio, respectively) were granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 30 June 2017 and 31 December 2016, loans to customers and banks included loans totaling KZT 96,017 million and KZT 84,216 million, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

	30 June 2017 (unaudited)		Carrying amount	31 December 2016		Carrying amount
	Carrying amount before allowance	Allowance for impairment losses		Carrying amount before allowance	Allowance for impairment losses	
Loans to customers individually determined to be impaired	226,085	(73,050)	153,035	224,088	(73,539)	150,549
Loans to customers collectively determined to be impaired	189,971	(19,144)	170,827	106,115	(15,279)	90,836
Unimpaired loans	465,657	(5,824)	459,833	559,006	(4,636)	554,370
<b>Total</b>	<b>881,713</b>	<b>(98,018)</b>	<b>783,695</b>	<b>889,209</b>	<b>(93,454)</b>	<b>795,755</b>

In determining the impairment allowance for the loans that are individually significant, management of the Group makes the assumption of delay of 1-3 years in obtaining proceeds from sale of collateral.

Analysis by credit quality of loans to corporations outstanding as at 30 June 2017 and 31 December 2016 was as follows:

Corporate loans as at 30 June 2017	Gross loans	Provision for impairment losses	Net loans	Provision for impairment to gross loans
<b>Individually impaired</b>				
Not past due	139,192	(34,339)	104,853	26.67%
Overdue:				
up to 30 days	14,312	(5,331)	8,981	37.25%
31 to 60 days	44,290	(24,718)	19,572	55.81%
61 to 90 days	5,294	(344)	4,950	6.50%
91 to 180 days	1,646	(1,241)	405	75.39%
over 180 days	18,182	(5,580)	12,602	30.69%
<b>Total individually impaired loans</b>	<b>222,916</b>	<b>(71,553)</b>	<b>151,363</b>	<b>32.10%</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	73,130	(5,374)	67,756	7.35%
Overdue:				
up to 30 days	12,742	(1,072)	11,670	8.41%
31 to 60 days	-	-	-	0.00%
61 to 90 days	1,432	(19)	1,413	1.33%
91 to 180 days	1,009	(640)	369	63.43%
over 180 days	408	(269)	139	65.93%
<b>Total impaired loans assessed on a collective basis</b>	<b>88,721</b>	<b>(7,374)</b>	<b>81,347</b>	<b>8.31%</b>
<b>Unimpaired loans</b>				
Not past due	161,062	(1,951)	159,111	1.21%
Overdue:				
up to 30 days	1,711	(544)	1,167	31.79%
31 to 60 days	1,935	(5)	1,930	0.26%
61 to 90 days	-	-	-	0.00%
91 to 180 days	1,932	(6)	1,926	0.31%
over 180 days	-	-	-	0.00%
<b>Total unimpaired loans</b>	<b>166,640</b>	<b>(2,506)</b>	<b>164,134</b>	<b>1.50%</b>
<b>Total corporate loans</b>	<b>478,277</b>	<b>(81,433)</b>	<b>396,844</b>	<b>17.03%</b>

<b>Corporate loans as at 31 December 2016</b>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Individually impaired</b>				
Not past due	95,245	(33,528)	61,717	35.20%
Overdue:				
up to 30 days	48,088	(18,216)	29,872	37.88%
31 to 60 days	21,823	(11,545)	10,278	52.90%
61 to 90 days	1,386	(1,017)	369	73.38%
91 to 180 days	4,800	(987)	3,813	20.56%
over 180 days	19,925	(6,701)	13,224	33.63%
<b>Total individually impaired loans</b>	<b>191,267</b>	<b>(71,994)</b>	<b>119,273</b>	<b>37.64%</b>
<b>Collectively impaired</b>				
Not past due	38,538	(3,619)	34,919	9.39%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	-	-	-	0.00%
<b>Total collectively impaired loans</b>	<b>38,538</b>	<b>(3,619)</b>	<b>34,919</b>	<b>9.39%</b>
<b>Unimpaired loans</b>				
Not past due	256,253	(2,001)	254,252	0.78%
Overdue:				
up to 30 days	1,414	(341)	1,073	24.12%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	-	-	-	0.00%
<b>Total unimpaired loans</b>	<b>257,667</b>	<b>(2,342)</b>	<b>255,325</b>	<b>0.91%</b>
<b>Total corporate loans</b>	<b>487,472</b>	<b>(77,955)</b>	<b>409,517</b>	<b>15.99%</b>

Analysis by credit quality of loans to small and medium-sized enterprises outstanding as at 30 June 2017 and 31 December 2016 was as follows:

<b>Small and medium-sized enterprises as at 30 June 2017</b>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	6,771	(293)	6,478	4.33%
Overdue:				
up to 30 days	950	(43)	907	4.53%
31 to 60 days	1,145	(177)	968	15.46%
61 to 90 days	160	(7)	153	4.38%
91 to 180 days	225	(21)	204	9.33%
over 180 days	6,621	(1,450)	5,171	21.90%
<b>Total impaired loans assessed on a collective basis</b>	<b>15,872</b>	<b>(1,991)</b>	<b>13,881</b>	<b>12.54%</b>
<b>Unimpaired loans</b>				
Not past due	48,696	(592)	48,104	1.22%
Overdue:				
up to 30 days	1,824	(61)	1,763	3.34%
31 to 60 days	696	(28)	668	4.02%
61 to 90 days	380	(34)	346	8.95%
91 to 180 days	803	(54)	749	6.72%
over 180 days	202	(34)	168	16.83%
<b>Total unimpaired loans</b>	<b>52,601</b>	<b>(803)</b>	<b>51,798</b>	<b>1.53%</b>
<b>Total small and medium-sized enterprises</b>	<b>68,473</b>	<b>(2,794)</b>	<b>65,679</b>	<b>4.08%</b>

Small and medium-sized enterprises as at 31 December 2016	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Impaired loans assessed on a collective basis</b>				
Not past due	2,227	(131)	2,096	5.88%
Overdue:				
up to 30 days	409	-	409	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	447	-	447	0.00%
over 180 days	6,120	(1,767)	4,353	28.87%
<b>Total impaired loans assessed on a collective basis</b>	<b>9,203</b>	<b>(1,898)</b>	<b>7,305</b>	<b>20.62%</b>
<b>Unimpaired loans</b>				
Not past due	47,090	-	47,090	0.00%
Overdue:				
up to 30 days	703	-	703	0.00%
31 to 60 days	688	-	688	0.00%
61 to 90 days	287	-	287	0.00%
91 to 180 days	532	-	532	0.00%
over 180 days	4,205	(293)	3,912	6.97%
<b>Total unimpaired loans</b>	<b>53,505</b>	<b>(293)</b>	<b>53,212</b>	<b>0.55%</b>
<b>Total small and medium-sized enterprises</b>	<b>62,708</b>	<b>(2,191)</b>	<b>60,517</b>	<b>3.49%</b>

Analysis by credit quality of mortgage loans outstanding as at 30 June 2017 and 31 December 2016 was as follows:

Mortgage loans as at 30 June 2017	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Impaired loans assessed on a collective basis</b>				
Not past due	8,565	(153)	8,412	1.79%
Overdue:				
up to 30 days	5,900	(622)	5,278	10.54%
31 to 60 days	942	(107)	835	11.36%
61 to 90 days	333	(41)	292	12.31%
91 to 180 days	1,829	(212)	1,617	11.59%
over 180 days	15,642	(2,035)	13,607	13.01%
<b>Total impaired loans assessed on a collective basis</b>	<b>33,211</b>	<b>(3,170)</b>	<b>30,041</b>	<b>9.55%</b>
<b>Unimpaired loans</b>				
Not past due	93,768	(141)	93,627	0.15%
Overdue:				
up to 30 days	8,083	(378)	7,705	4.68%
31 to 60 days	1,721	(89)	1,632	5.17%
61 to 90 days	726	(53)	673	7.30%
91 to 180 days	2,819	(294)	2,525	10.43%
over 180 days	5	-	5	0.00%
<b>Total unimpaired loans</b>	<b>107,122</b>	<b>(955)</b>	<b>106,167</b>	<b>0.89%</b>
<b>Total mortgage loans</b>	<b>140,333</b>	<b>(4,125)</b>	<b>136,208</b>	<b>2.94%</b>

<b>Mortgage loans as at 31 December 2016</b>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	6,534	(1)	6,533	0.02%
Overdue:				
up to 30 days	3,578	(20)	3,558	0.56%
31 to 60 days	3,310	(2)	3,308	0.06%
61 to 90 days	3,403	(13)	3,390	0.38%
91 to 180 days	1,102	(5)	1,097	0.45%
over 180 days	7,219	(1,898)	5,321	26.29%
<b>Total impaired loans assessed on a collective basis</b>	<b>25,146</b>	<b>(1,939)</b>	<b>23,207</b>	<b>7.71%</b>
<b>Unimpaired loans</b>				
Not past due	97,507	(23)	97,484	0.02%
Overdue:				
up to 30 days	7,190	(25)	7,165	0.35%
31 to 60 days	3,426	(30)	3,396	0.88%
61 to 90 days	2,466	(36)	2,430	1.46%
91 to 180 days	2,328	(60)	2,268	2.58%
over 180 days	8,149	(472)	7,677	5.79%
<b>Total unimpaired loans</b>	<b>121,066</b>	<b>(646)</b>	<b>120,420</b>	<b>0.53%</b>
<b>Total mortgage loans</b>	<b>146,212</b>	<b>(2,585)</b>	<b>143,627</b>	<b>1.77%</b>

Analysis by credit quality of consumer loans outstanding as at 30 June 2017 and 31 December 2016 was as follows:

<b>Consumer loans as at 30 June 2017</b>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Individually impaired</b>				
Not past due	-	-	-	0.00%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	2,300	(1,209)	1,091	52.57%
<b>Total individually impaired loans</b>	<b>2,300</b>	<b>(1,209)</b>	<b>1,091</b>	<b>52.57%</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	6,634	(167)	6,467	2.52%
Overdue:				
up to 30 days	2,646	(258)	2,388	9.75%
31 to 60 days	566	(64)	502	11.31%
61 to 90 days	739	(83)	656	11.23%
91 to 180 days	1,413	(159)	1,254	11.25%
over 180 days	20,709	(2,604)	18,105	12.57%
<b>Total impaired loans assessed on a collective basis</b>	<b>32,707</b>	<b>(3,335)</b>	<b>29,372</b>	<b>10.20%</b>
<b>Unimpaired loans</b>				
Not past due				
Overdue:				
up to 30 days	64,249	(158)	64,091	0.25%
31 to 60 days	5,640	(278)	5,362	4.93%
61 to 90 days	2,229	(170)	2,059	7.63%
91 to 180 days	797	(62)	735	7.78%
over 180 days	1,712	(165)	1,547	9.64%
	-	-	-	0.00%
<b>Total unimpaired loans</b>	<b>74,627</b>	<b>(833)</b>	<b>73,794</b>	<b>1.12%</b>
<b>Total consumer loans</b>	<b>109,634</b>	<b>(5,377)</b>	<b>104,257</b>	<b>4.90%</b>

Consumer loans as at 31 December 2016	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Individually impaired</b>				
Not past due	-	-	-	0.00%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	2,378	(1,186)	1,192	49.87%
<b>Total individually impaired loans</b>	<b>2,378</b>	<b>(1,186)</b>	<b>1,192</b>	<b>49.87%</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	3,192	-	3,192	0.00%
Overdue:				
up to 30 days	2,189	(2)	2,187	0.09%
31 to 60 days	1,439	(40)	1,399	2.78%
61 to 90 days	1,792	-	1,792	0.00%
91 to 180 days	1,606	(8)	1,598	0.50%
over 180 days	6,753	(2,040)	4,713	30.21%
<b>Total impaired loans assessed on a collective basis</b>	<b>16,971</b>	<b>(2,090)</b>	<b>14,881</b>	<b>12.32%</b>
<b>Unimpaired loans</b>				
Not past due	61,994	(1)	61,993	0.00%
Overdue:				
up to 30 days	5,664	(4)	5,660	0.07%
31 to 60 days	3,794	(8)	3,786	0.21%
61 to 90 days	1,988	(9)	1,979	0.45%
91 to 180 days	3,888	(19)	3,869	0.49%
over 180 days	13,349	(823)	12,526	6.17%
<b>Total unimpaired loans</b>	<b>90,677</b>	<b>(864)</b>	<b>89,813</b>	<b>0.95%</b>
<b>Total consumer loans</b>	<b>110,026</b>	<b>(4,140)</b>	<b>105,886</b>	<b>3.76%</b>



Analysis by credit quality of loans issued for business development purposes as at 30 June 2017 and 31 December 2016 was as follows:

<b>Business development as at 30 June 2017</b>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Individually impaired</b>				
Not past due	-	-	-	0.00%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	869	(288)	581	33.14%
91 to 180 days	-	-	-	0.00%
over 180 days	-	-	-	0.00%
<b>Total individually impaired loans</b>	<b>869</b>	<b>(288)</b>	<b>581</b>	<b>33.14%</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	2,693	(256)	2,437	9.51%
Overdue:				
up to 30 days	959	(114)	845	11.89%
31 to 60 days	294	(31)	263	10.54%
61 to 90 days	187	(25)	162	13.37%
91 to 180 days	863	(120)	743	13.90%
over 180 days	14,084	(2,682)	11,402	19.04%
<b>Total impaired loans assessed on a collective basis</b>	<b>19,080</b>	<b>(3,228)</b>	<b>15,852</b>	<b>16.92%</b>
<b>Unimpaired loans</b>				
Not past due	53,030	(306)	52,724	0.58%
Overdue:				
up to 30 days	2,888	(71)	2,817	2.46%
31 to 60 days	1,285	(100)	1,185	7.78%
61 to 90 days	359	(35)	324	9.75%
91 to 180 days	1,900	(200)	1,700	10.53%
over 180 days	58	(3)	55	5.17%
<b>Total unimpaired loans</b>	<b>59,520</b>	<b>(715)</b>	<b>58,805</b>	<b>1.20%</b>
<b>Total business development</b>	<b>79,469</b>	<b>(4,231)</b>	<b>75,238</b>	<b>5.32%</b>

<b>Business development as at 31 December 2016</b>	<b>Gross loans</b>	<b>Provision for impairment</b>	<b>Net loans</b>	<b>Provision for impairment to gross loans</b>
<b>Individually impaired</b>				
Not past due	940	(359)	581	38.19%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	-	-	-	0.00%
<b>Total individually impaired loans</b>	<b>940</b>	<b>(359)</b>	<b>581</b>	<b>38.19%</b>
<b>Impaired loans assessed on a collective basis</b>				
Not past due	1,553	-	1,553	0.00%
Overdue:				
up to 30 days	1,041	-	1,041	0.00%
31 to 60 days	80	-	80	0.00%
61 to 90 days	961	-	961	0.00%
91 to 180 days	242	(1)	241	0.41%
over 180 days	12,242	(5,706)	6,536	46.61%
<b>Total impaired loans assessed on a collective basis</b>	<b>16,119</b>	<b>(5,707)</b>	<b>10,412</b>	<b>35.41%</b>
<b>Unimpaired loans</b>				
Not past due	48,278	(1)	48,277	0.00%
Overdue:				
up to 30 days	1,953	(1)	1,952	0.05%
31 to 60 days	959	(6)	953	0.63%
61 to 90 days	375	(3)	372	0.80%
91 to 180 days	1,486	(9)	1,477	0.61%
over 180 days	6,502	(465)	6,037	7.15%
<b>Total unimpaired loans</b>	<b>59,553</b>	<b>(485)</b>	<b>59,068</b>	<b>0.81%</b>
<b>Total business development</b>	<b>76,612</b>	<b>(6,551)</b>	<b>70,061</b>	<b>8.55%</b>

Analysis by credit quality of car loans outstanding as at 30 June 2017 and 31 December 2016 was as follows:

Car loans as at 30 June 2017	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Impaired loans assessed on a collective basis</b>				
Not past due	6	-	6	0.00%
Overdue:				
up to 30 days	1	-	1	0.00%
31 to 60 days	4	-	4	0.00%
61 to 90 days	7	(1)	6	14.29%
91 to 180 days	7	(1)	6	14.29%
over 180 days	355	(44)	311	12.39%
<b>Total impaired loans assessed on a collective basis</b>	<b>380</b>	<b>(46)</b>	<b>334</b>	<b>12.11%</b>
<b>Unimpaired loans</b>				
Not past due	4,894	(4)	4,890	0.08%
Overdue:				
up to 30 days	159	(1)	158	0.63%
31 to 60 days	34	(1)	33	2.94%
61 to 90 days	31	(3)	28	9.68%
91 to 180 days	29	(3)	26	10.34%
over 180 days	-	-	-	0.00%
<b>Total unimpaired loans</b>	<b>5,147</b>	<b>(12)</b>	<b>5,135</b>	<b>0.23%</b>
<b>Total car loans</b>	<b>5,527</b>	<b>(58)</b>	<b>5,469</b>	<b>1.05%</b>

Car loans as at 31 December 2016	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
<b>Impaired loans assessed on a collective basis</b>				
Not past due	8	-	8	0.00%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	4	-	4	0.00%
61 to 90 days	1	-	1	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	125	(26)	99	20.80%
<b>Total impaired loans assessed on a collective basis</b>	<b>138</b>	<b>(26)</b>	<b>112</b>	<b>18.84%</b>
<b>Unimpaired loans</b>				
Not past due	5,439	-	5,439	0.00%
Overdue:				
up to 30 days	207	-	207	0.00%
31 to 60 days	44	-	44	0.00%
61 to 90 days	12	-	12	0.00%
91 to 180 days	46	(1)	45	2.17%
over 180 days	293	(5)	288	1.71%
<b>Total unimpaired loans</b>	<b>6,041</b>	<b>(6)</b>	<b>6,035</b>	<b>0.10%</b>
<b>Total car loans</b>	<b>6,179</b>	<b>(32)</b>	<b>6,147</b>	<b>0.52%</b>

As at 30 June 2017 and 31 December 2016, the Group entered as a lessor into finance leasing agreements. The interest rate inherent in leases is fixed at the contract date for all of the lease terms.

As at 30 June 2017 and 31 December 2016, the components of net investments in finance lease are presented as follows:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Not later than one year	765	804
From one year to five years	1,454	1,453
More than five years	9,811	9,836
	<u>12,030</u>	<u>12,093</u>
Less: unearned finance income	(7,859)	(7,907)
Net investment in finance lease	<u>4,171</u>	<u>4,186</u>
Current portion	15	29
Long-term portion	4,156	4,157
	<u>4,171</u>	<u>4,186</u>
Less: allowance for impairment losses	(15)	(23)
<b>Net investment in finance lease, net of allowance for impairment</b>	<u>4,156</u>	<u>4,163</u>

Fair values of assets pledged and carrying amount of reverse repurchase agreements as at 30 June 2017 and 31 December 2016 are presented as follows:

	30 June 2017 (unaudited)		31 December 2016 (audited)	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Bonds of the Ministry of Finance of Kazakhstan	-	-	21,367	22,249
Others	2,967	4,227	968	1,386
<b>Total</b>	<u>2,967</u>	<u>4,227</u>	<u>22,335</u>	<u>23,635</u>

## 16. OTHER ASSETS

	30 June 2017 (unaudited)	31 December 2016
<b>Other financial assets:</b>		
Receivables	11,385	12,581
Accrued commission	1,856	1,761
Western Union and other wireless transfers	960	99
	<u>14,201</u>	<u>14,441</u>
Less: allowances for impairment losses	(565)	(893)
<b>Total other financial assets</b>	<u>13,636</u>	<u>13,548</u>
<b>Other non-financial assets:</b>		
Repossessed collateral	26,702	23,209
Investment property	3,520	3,316
Advances paid	1,223	1,081
Tax settlements, other than income tax	445	2,926
Inventory	62	22
	<u>31,952</u>	<u>30,554</u>
Less: accumulated impairment	(53)	(57)
<b>Total other non-financial assets</b>	<u>31,899</u>	<u>30,497</u>
<b>Total other assets</b>	<u>45,535</u>	<u>44,045</u>

The movement in allowances for impairment losses on other assets for six months ended 30 June 2017 and 2016 is disclosed in Note 5.

Reposessed collateral represents real estate accepted by the Group from its non-performing borrowers. These assets have been initially recognized at fair value and subsequently measured at the lowest fair value less costs to sell and book value. As at 30 June 2017, the Management has not yet decided on whether the reposessed collateral will be sold or used as property and equipment for core activity.

## 17. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Nominal interest rate, %	30 June 2017 (unaudited)	31 December 2016
Long-term loans due to banks and financial institutions	0.85-8.50	43,406	44,668
Perpetual financial instruments	6.96	25,281	26,222
Loans due to international credit organizations	8.50-10.00	25,511	27,023
Loan due to the Government of Republic of Kazakhstan and NBRK	5.50	111	118
Correspondent accounts of banks	-	1,803	1,557
Short-term loans due to banks and financial institutions	3.25-10.33	271	6,272
Accrued interest expense	-	1,026	1,165
		<u>97,409</u>	<u>107,025</u>
Loans under repurchase agreements	9.66-14.00	4,903	2,624
<b>Total due to banks and financial institutions</b>		<u><u>102,312</u></u>	<u><u>109,649</u></u>

In October 2016, the Group received long-term loans in the amount of KZT 200.0 million at 2% p.a. maturing in 2035; in January 2017, in the amount of KZT 376.6 million at 1% p.a. maturing in 2035.

In 2016 the Group received long-term loan from JSC Entrepreneurship Development Fund DAMU in the amount of KZT 1617,0 million at 3.8%-4.5% p.a. maturing in 2021-2023.

In November 2016 the Group received long-term loan from EBRD in the amount KZT 8 610 million at 9,5% maturing in 2019.

In case of bankruptcy or liquidation of the Group, debt under subordinated loans shall be repaid after performance of the Group's liabilities to all other lenders.

As at 30 June 2017 and 31 December 2016, the fair value of assets pledged and carrying value of loans under repurchase agreements are presented as follows:

	30 June 2017 (unaudited)		31 December 2016	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4,903	4,175	2,624	2,668
<b>Total</b>	<u><u>4,903</u></u>	<u><u>4,175</u></u>	<u><u>2,624</u></u>	<u><u>2,668</u></u>

## 18. CUSTOMER AND BANK ACCOUNTS

	30 June 2017 (unaudited)	31 December 2016
<b>Recorded at amortized cost:</b>		
Customer accounts	934,120	1,046,108
Bank accounts	2	2,002
	<u>934,122</u>	<u>1,048,110</u>
Accrued interest	4,829	5,792
	<u>938,951</u>	<u>1,053,902</u>
<b>Total customer and bank accounts</b>		
	<u>938,951</u>	<u>1,053,902</u>
	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
Time deposits	648,830	737,896
Demand deposits	285,290	308,212
	<u>934,120</u>	<u>1,046,108</u>
Accrued interest	4,829	5,633
	<u>938,949</u>	<u>1,051,741</u>
<b>Total customer accounts</b>		
	<u>938,949</u>	<u>1,051,741</u>
	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016</b>
<b>Analysis by sector:</b>		
Individuals	499,404	542,586
Social services	123,180	178,838
Real estate construction	70,488	66,376
Trade	44,004	55,278
Education and health care	43,572	33,595
Transportation and communication	32,267	39,765
Metallurgy	21,422	21,145
Manufacturing	14,404	17,086
Insurance and pension fund activities	8,236	13,274
Research and engineering	5,900	9,038
Agriculture	5,821	6,433
Chemical production	5,611	3,997
Oil and Gas sector	4,914	5,597
Machinery	4,639	2,293
Entertainment services	4,468	3,999
Energy	3,594	11,351
Fuel	3,293	2,902
Public administration	922	373
Other	42,810	37,815
	<u>938,949</u>	<u>1,051,741</u>
<b>Total customer accounts</b>		
	<u>938,949</u>	<u>1,051,741</u>

Bank accounts as at 30 June 2017 and 31 December 2016 comprised the following:

	30 June 2017 (unaudited)	31 December 2016
Time deposits	-	2,000
Demand deposits	2	2
	<u>2</u>	<u>2,002</u>
Accrued interest	-	159
	<u>2</u>	<u>2,161</u>
<b>Total bank accounts</b>		
	<u>2</u>	<u>2,161</u>

## 19. DEBT SECURITIES ISSUED

	CCY	Issue date	Maturity date	Interest rate, %	30 June 2017	31 December 2016
Bonds issued in Kazakhstan	KZT	26/04/2014	22/09/2025	7.50-9.00	14,599	24,463
Accrued interest					14,599	24,463
<b>Total debt securities issued</b>					214	346
					14,813	24809

Coupon on debt securities issued is repayable semiannually.

## 20. OTHER LIABILITIES

	30 June 2017 (unaudited)	31 December 2016
<b>Other financial liabilities:</b>		
Derivative financial instruments	8,599	9,227
Settlements on other transactions	4,982	4,146
Obligations under financial guarantees issued	1,357	1,148
Accrued commission expenses	861	881
Provision for guarantees and letters of credit	100	269
	15,899	15,671
<b>Other non-financial liabilities:</b>		
Taxes payable, other than income tax	1,929	2,195
Other non-financial liabilities	1,021	1,046
<b>Total other liabilities</b>	<b>18,849</b>	<b>18,912</b>

The movement in the provision for guarantees and letters of credit for the six months ended 30 June 2017 is disclosed in Note 5.

## 21. SUBORDINATED BONDS

	CCY	Issue date	Maturity date	Annual coupon rate %	30 June 2017	31 December 2016
Fixed rate	KZT	05/12/2007- 27/11/2009	27/11/2019- 27/11/2024	10.00-11.00	29,385	29,395
Floating rate	KZT	05/12/2007- 27/11/2009	27/11/2019- 11/11/2023	8.70-8.80	20,181	23,156
Accrued interest					49,566	52,551
<b>Total subordinated bonds</b>					658	782
					50,224	53,333

Interest on the subordinated bonds is repayable semiannually, and principal is repayable at the end of the term.

In the event of bankruptcy or liquidation of the Bank, repayment of all subordinated bonds is subordinate to the repayments of the Group's liabilities to all other creditors.

## 22. SHARE CAPITAL

As at 30 June 2017, the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(527,949)	161,928,851
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2016, the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(399,850)	162,056,950
Preference shares	39,249,255	-	-	39,249,255

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share.

According to the legislation of the Republic of Kazakhstan on Joint Stock Companies, dividends are payable on ordinary shares in the form of cash or securities of the Bank, on condition that the decision was made at the general meeting of shareholders of the Bank. In accordance with Regulation of the Group dividend payments can be made on the basis of financial results for the year.

The terms of the preference shares require that the Group pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on preference shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the preference shares cannot be less than the dividends paid on ordinary shares. Furthermore, the dividends on ordinary shares will not be paid until dividends on preference shares are fully paid.

	Six months ended 30 June 2017 (unaudited) Quantity, in thousands	Year ended 31 December 2016  Quantity, in thousands
Preference shares, beginning of the period	39,249	39,249
Preference shares issued	-	-
Preference shares, end of the period	<u>39,249</u>	<u>39,249</u>
Ordinary shares, beginning of the period	162,057	161,584
Treasury shares repurchased	(600)	(1,173)
Treasury shares sold	<u>472</u>	<u>1,646</u>
Ordinary shares, end of the period	<u>161,929</u>	<u>162,057</u>



### 23. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under financial guarantees and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for operations reflected in the interim consolidated statements of financial position.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 30 June 2017 and 31 December 2016, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2017 (unaudited)		31 December 2016	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
<b>Contingencies and financial commitments:</b>				
Guarantees issued and similar commitments	108,649	101,904	79,168	73,450
Letters of credit and other transaction related contingent obligations	<u>6,905</u>	<u>1,381</u>	<u>9,653</u>	<u>1,931</u>
<b>Total contingencies and financial commitments</b>	<u><u>115,554</u></u>	<u><u>103,285</u></u>	<u><u>88,821</u></u>	<u><u>75,381</u></u>

The table below summarizes nominal values of guarantees and similar commitments secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2017 (unaudited)	31 December 2016
Real estate	30,231	21,567
Movables	15,615	9,324
Corporate guarantees	9,257	7,127
Cash deposits	6,745	5,718
Receivables	4,595	3,401
Land	1,328	10
Goods in turnover	734	272
Other	3,224	3,000
Unsecured	<u>36,920</u>	<u>28,749</u>
Total	<u><u>108,649</u></u>	<u><u>79,168</u></u>

The table below summarizes the amounts of letters of credit and other transactions related to contingent obligations secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2017 (unaudited)	31 December 2016
Cash deposits	4,257	8,754
Unsecured letters of credit	-	744
Real estate	2,648	-
Receivables	<u>-</u>	<u>155</u>
Total	<u><u>6,905</u></u>	<u><u>9,653</u></u>

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service and other conditions.

## Capital commitments

As at 30 June 2017 and 31 December 2016, the Group had no material commitments for capital expenditures outstanding.

## Operating lease commitments

As at 30 June 2017 and 31 December 2016, the Group had no material operating lease commitments.

## Taxation

Commercial legislation of the Republic of Kazakhstan and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The Group believes that it has accrued all tax amounts due and therefore no provision has been made in the consolidated financial statements.

## Pensions and retirement plans

B Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan and Russian Federation. As at 30 June 2017 and 31 December 2016, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

## 24. SEGMENT REPORTING

The segment information below is presented to evaluate performance and used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8 and in accordance with the operating segment reporting presented in the interim consolidated financial statements for the six months ended 30 June 2017 and 2016.

The operating segment information is presented below:

	Retail banking	Corporate banking	Investment banking	Six months ended 30 June 2017 (unaudited)
<b>Continuing operations</b>				
Interest income*	21,007	25,065	6,740	52,812
Interest expense*	(13,912)	(17,900)	(713)	(32,525)
Recovery of/ (provision for) impairment losses on interest bearing assets	(6,062)	(11,254)	-	(17,316)
Net non-interest income	2,988	12,244	(2,117)	13,115
Operating expenses	(6,934)	(6,682)	(169)	(13,785)
<b>Profit/(loss) before income tax</b>	<b>(2,913)</b>	<b>1,473</b>	<b>3,741</b>	<b>2,301</b>
Segment assets**	<b>322,913</b>	<b>757,084</b>	<b>149,501</b>	<b>1,229,498</b>
Segment liabilities**	<b>514,595</b>	<b>458,609</b>	<b>151,945</b>	<b>1,125,149</b>
<b>Other segment items</b>				
Depreciation charge on property, equipment and intangible assets	(648)	(625)	(16)	(1,289)
Loans to customers and banks	334,963	454,954	-	789,917
Customer and banks accounts	499,404	439,547	-	938,951
Financial guarantees and commitments	-	115,554	-	115,554

\* - interest income and interest expense, include non-eliminated intercompany transactions in the amount of KZT 45 million, KZT (45) million.

\*\* - excluding current and deferred income tax. Income tax expense is unallocated.

	Retail banking	Corporate banking	Investment banking	Six months ended 30 June 2016* (unaudited)
Interest income	19,188	23,048	4,361	46,597
Interest expense	(10,895)	(20,340)	(3,228)	(34,463)
Recovery of /(provision for) impairment losses on interest bearing assets	(13,267)	7,552	-	(5,715)
Net non-interest income	2,183	5,177	1,083	8,443
Operating expenses	(7,104)	(7,879)	(220)	(15,203)
<b>Profit/(loss) before income tax</b>	<b>(9,895)</b>	<b>7,558</b>	<b>1,996</b>	<b>(341)</b>
<b>Segment assets**</b>	<b>337,293</b>	<b>813,390</b>	<b>152,991</b>	<b>1,303,674</b>
<b>Segment liabilities **</b>	<b>520,279</b>	<b>536,967</b>	<b>155,701</b>	<b>1,212,947</b>
<b>Other segment items:</b>				
Depreciation charge on property, equipment and intangible assets	(592)	(644)	(18)	(1,254)
Loans to customers and banks	352,756	489,951	-	842,707
Customer and banks accounts	508,711	487,471	-	996,182
Financial guarantees and commitments	-	118,803	-	118,803

\* - interest income and interest expense, include non-eliminated intercompany transactions in the amount of KZT 310 million, KZT (310) million.

\*\* - excluding current and deferred income tax. Income tax expense is unallocated.

All operations of the Group are conducted within the Republic of Kazakhstan.

## 25. TRANSFERRED FINANCIAL ASSETS

### Transfers that did not qualify for derecognition of the financial asset in its entirety

#### *Securities lending and repurchase agreements*

The Group enters into repo and reverse repo transactions on a regular basis. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These transactions are conducted under KASE terms. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The Group may sell or repledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Group, which instead recognises a separate asset for any cash collateral provided.

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

	Financial assets at fair value through profit or loss	Investments available-for-sale	Investments held to maturity	Total
<b>As at 30 June 2017:</b>				
Carrying amount of assets	592	4,105	205	4,902
Carrying amount of associated liabilities (Loans under repurchase agreements)				
	679	4,279	209	5,167
<b>As at 31 December 2016:</b>				
Carrying amount of assets	336	-	2,152	2,488
Carrying amount of associated liabilities (Loans under repurchase agreements)				
	352	-	2,272	2,624

## 26. RISK MANAGEMENT POLICIES

### Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non-OECD countries	OECD countries	30 June 2017 Total (unaudited)
<b>Financial assets</b>				
Cash and cash equivalents	155,601	1,472	10,649	167,722
Obligatory reserves	10,882	-	-	10,882
Financial assets at fair value through profit or loss	43,511	26	18	43,555
Investments available-for-sale	86,628	10,843	-	97,471
Investments held-to-maturity	15,829	3,613	-	19,442
Due from banks	13,299	16	1,308	14,623
Loans to customers and banks	776,479	13,424	14	789,917
Other financial assets	13,636	-	-	13,636
<b>Total financial assets</b>	<b>1,115,865</b>	<b>29,394</b>	<b>11,989</b>	<b>1,157,248</b>
<b>Financial liabilities</b>				
Due to banks and financial institutions	49,691	89	52,532	102,312
Customer and bank accounts	938,951	-	-	938,951
Debt securities issued	14,813	-	-	14,813
Subordinated bonds	50,224	-	-	50,224
Other financial liabilities	15,899	-	-	15,899
<b>Total financial liabilities</b>	<b>1,069,578</b>	<b>89</b>	<b>52,532</b>	<b>1,122,199</b>
<b>Open position</b>	<b>46,287</b>	<b>29,305</b>	<b>(40,543)</b>	

	Kazakhstan	Other non-OECD countries	OECD countries	31 December 2016 Total
<b>Financial assets:</b>				
Cash and cash equivalents	209,891	3,659	32,494	246,044
Obligatory reserves	12,743	-	-	12,743
Financial assets at fair value through profit or loss	54,466	-	26	54,492
Investments available-for-sale	106,121	-	18	106,139
Investments held to maturity	30,363	3,828	-	34,191
Due from banks	5,465	17	1,352	6,834
Loans to customers and banks	804,078	14,649	15	818,742
Other financial assets	13,548	-	-	13,548
<b>Total financial assets</b>	<b>1,236,675</b>	<b>22,153</b>	<b>33,905</b>	<b>1,292,733</b>
<b>Financial liabilities:</b>				
Due to banks and financial institutions	53,843	542	55,264	109,649
Customer and bank accounts	1,053,902	-	-	1,053,902
Debt securities issued	24,809	-	-	24,809
Other financial liabilities	15,671	-	-	15,671
Subordinated bonds	53,333	-	-	53,333
<b>Total financial liabilities</b>	<b>1,201,558</b>	<b>542</b>	<b>55,264</b>	<b>1,257,364</b>
<b>Open position</b>	<b>35,117</b>	<b>21,611</b>	<b>(21,359)</b>	

### Currency risk

Group's exposure to foreign currency exchange rate risk as at 30 June 2017 is presented in the tables below:

	KZT	USD 1 USD =322.27 KZT	EUR 1 EUR = 367.52 KZT	Other currencies	30 June 2017 Total (unaudited)
<b>Financial assets:</b>					
Cash and cash equivalents	11,298	137,006	14,842	4,576	167,722
Obligatory reserves	10,882	-	-	-	10,882
Financial assets at fair value through profit or loss	42,564	991	-	-	43,555
Investments available-for-sale	57,308	40,145	18	-	97,471
Investments held to maturity	308	19,134	-	-	19,442
Due from banks	5,660	8,963	-	-	14,623
Loans to customers and banks	627,222	162,443	252	-	789,917
Other financial assets	13,069	513	42	12	13,636
<b>Total financial assets</b>	<b>768,311</b>	<b>369,195</b>	<b>15,154</b>	<b>4,588</b>	<b>1,157,248</b>
<b>Financial liabilities:</b>					
Due to banks and financial institutions	74,163	28,147	-	2	102,312
Customer and bank accounts	528,963	389,708	15,286	4,994	938,951
Debt securities issued	14,813	-	-	-	14,813
Other financial liabilities	14,643	674	530	52	15,899
Subordinated bonds	50,224	-	-	-	50,224
<b>Total financial liabilities</b>	<b>682,806</b>	<b>418,529</b>	<b>15,816</b>	<b>5,048</b>	<b>1,122,199</b>
<b>Open position</b>	<b>85,505</b>	<b>(49,334)</b>	<b>(662)</b>	<b>(460)</b>	

## Derivative financial instruments and spot contracts

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 30 June 2017:

	KZT	USD 1 USD = 322.27 KZT	EUR 1 EUR = 367.52 KZT	Other currencies	30 June 2017 Total (unaudited)
Accounts receivable on spot and derivative contracts	11,111	68,676	662	807	81,256
Accounts payable on spot and derivative contracts	(39,158)	(21,126)	-	-	(60,284)
<b>Net spot and derivative financial instruments position</b>	<b>(28,047)</b>	<b>47,550</b>	<b>662</b>	<b>807</b>	<b>20,972</b>
<b>Total open position</b>	<b>57,458</b>	<b>(1,784)</b>	<b>-</b>	<b>347</b>	

Group's exposure to foreign currency exchange rate risk as at 31 December 2016 is presented in the tables below:

	KZT	USD 1 USD = 340.01 KZT	EUR 1 EUR = 371.46 KZT	Other currencies	31 December 2016 Total
<b>Financial assets:</b>					
Cash and cash equivalents	15,618	210,660	13,028	6,738	246,044
Obligatory reserves	12,743	-	-	-	12,743
Financial assets at fair value through profit or loss	53,412	1,080	-	-	54,492
Investments available-for-sale	78,828	23,695	3,616	-	106,139
Investments held to maturity	4,224	29,444	523	-	34,191
Due from banks	4,095	2,739	-	-	6,834
Loans to customers and banks	652,718	165,368	656	-	818,742
Other financial assets	13,355	118	65	10	13,548
<b>Total financial assets</b>	<b>834,993</b>	<b>433,104</b>	<b>17,888</b>	<b>6,748</b>	<b>1,292,733</b>
<b>Financial liabilities:</b>					
Due to banks and financial institutions	80,990	28,077	579	3	109,649
Customer and bank accounts	553,094	476,972	17,123	6,713	1,053,902
Debt securities issued	24,809	-	-	-	24,809
Other financial liabilities	13,870	1,178	252	371	15,671
Subordinated bonds	53,333	-	-	-	53,333
<b>Total financial liabilities</b>	<b>726,096</b>	<b>506,227</b>	<b>17,954</b>	<b>7,087</b>	<b>1,257,364</b>
<b>Open position</b>	<b>108,897</b>	<b>(73,123)</b>	<b>(66)</b>	<b>(339)</b>	

## Derivative financial instruments and spot contracts

The fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above. The following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2016:

	KZT	USD 1 USD = 333.29 KZT	EUR 1 EUR = 352.42 KZT	Other currencies	31 December 2016 Total
Accounts receivable on spot and derivative contracts	11,111	92,836	-	-	103,947
Accounts payable on spot and derivative contracts	(51,088)	(20,331)	-	-	(71,419)
<b>Net spot and derivative financial instruments position</b>	<b>(39,977)</b>	<b>72,505</b>	<b>-</b>	<b>-</b>	<b>32,528</b>
<b>Total open position</b>	<b>68,920</b>	<b>(618)</b>	<b>(66)</b>	<b>(339)</b>	

## 27. SUBSEQUENT EVENTS

The Management has no information about any significant subsequent events.

  
Khusainov G.A.  
Acting Chairman

  
Nurgaliyeva A.T.  
Chief Accountant