JSC HALYK BANK

Interim Condensed Consolidated Financial Information

For the six months ended
30 June 2013 (unaudited)

JSC HALYK BANK

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JSC HALYK BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2013, the results of its operations for the three and six months then ended, and cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2013 was authorized for issue by the Management Board on 15 August 2013.

On behalf of the Management Board:

Askar S. Smagulov	**Pavel A. Cheussov**
Acting Chairman of the Board	**Chief Accountant**
15 August 2013	15 August 2013
Almaty, Kazakhstan	Almaty, Kazakhstan

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank:

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2013 and the related interim consolidated statements of profit or loss, and other comprehensive income for the three and six months then ended, and interim consolidated statements of changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 ("IAS"), *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte, LLP

15 August 2013
Almaty, Kazakhstan

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013 (UNAUDITED)
(Millions of Kazakhstani Tenge)

	Notes	30 June 2013 (unaudited)	31 December 2012
ASSETS			
Cash and cash equivalents	5	620,704	534,069
Obligatory reserves	6	46,418	48,467
Financial assets at fair value through profit or loss	7, 32	1,291	1,271
Amounts due from credit institutions	8	31,358	32,799
Available-for-sale investment securities	9, 32	332,405	334,362
Investments held to maturity	10, 32	24,113	25,766
Precious metals	14	16,618	1,646
Loans to customers	11, 32	1,335,934	1,319,208
Property and equipment		63,795	65,005
Assets held-for-sale		3,200	7,434
Goodwill		3,085	3,085
Intangible assets		5,518	5,594
Insurance assets	12	19,461	14,923
Other assets	13	11,372	14,369
TOTAL ASSETS		2,515,272	2,407,998
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14, 32	1,819,919	1,699,182
Amounts due to credit institutions	15, 32	14,822	15,202
Financial liabilities at fair value through profit or loss	7	246	439
Debt securities issued	16	262,351	301,919
Provisions	17	4,539	4,385
Deferred tax liability	18	7,859	7,907
Insurance liabilities	12	36,060	25,201
Other liabilities	19	15,082	14,124
Total liabilities		2,160,878	2,068,359
EQUITY			
Share capital	20	147,189	143,695
Share premium reserve		1,421	1,496
Treasury shares		(81,031)	(81,028)
Retained earnings and other reserves		285,125	273,835
		352,704	337,998
Non-controlling interest		1,690	1,641
Total equity		354,394	339,639
TOTAL LIABILITIES AND EQUITY		2,515,272	2,407,998

On behalf of the Management Board:

Askar S. Smagulov
Acting Chairman of the Board

15 August 2013
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2013
Almaty, Kazakhstan

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

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

	Notes	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Interest income	22, 32	44,368	39,903	87,430	79,571
Interest expense	22, 32	(18,763)	(16,885)	(38,327)	(34,001)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	22	25,605	23,018	49,103	45,570
Impairment charge	17	(4,274)	(1,037)	(6,537)	(8,240)
NET INTEREST INCOME		21,331	21,981	42,566	37,330
Fee and commission income	23	9,503	9,669	21,943	22,440
Fee and commission expense		(1,709)	(1,384)	(3,228)	(2,696)
Fees and commissions, net		7,794	8,285	18,715	19,744
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	24, 32	222	(742)	1,118	(537)
Net realized (loss)/gain from available-for-sale investment securities		(109)	166	68	750
Net gain on foreign exchange operations	25	1,473	2,632	2,645	4,297
Insurance underwriting income	26	5,729	4,697	12,808	8,761
Share of loss of associates		-	(1)	-	(1)
Other income		397	1,727	789	2,075
OTHER NON-INTEREST INCOME		7,712	8,479	17,428	15,345
Operating expenses	27	(13,946)	(13,300)	(27,048)	(24,570)
Impairment loss on assets-held-for sale		-	(2,100)	-	(2,100)
Provision	17	(627)	(1,803)	(185)	(1,451)
Insurance claims incurred, net of reinsurance	26	(4,210)	(3,564)	(10,088)	(5,880)
NON-INTEREST EXPENSES		(18,783)	(20,767)	(37,321)	(34,001)
INCOME BEFORE INCOME TAX EXPENSE		18,054	17,978	41,388	38,418
Income tax expense	18	(3,147)	(3,186)	(7,214)	(6,808)
NET INCOME		14,907	14,792	34,174	31,610
Attributable to:					
Non-controlling interest		(65)	3	40	172
Preferred shareholders		265	477	558	1,018
Common shareholders		14,707	14,312	33,576	30,420
		14,907	14,792	34,174	31,610
Basic earnings per share (in Kazakhstani Tenge)	28	1.17	0.91	2.93	2.43
Diluted earnings per share (in Kazakhstani Tenge)	28	0.29	0.01	2.04	1.52

*** As restated for share split – see Note 20**

On behalf of the Management Board:

Askar S. Smagulov
Acting Chairman of the Board

15 August 2013
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2013
Almaty, Kazakhstan

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

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE AND THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Net income	14,907	14,792	34,174	31,610
Other comprehensive income/(loss), net of tax				
Items not to be subsequently reclassified to profit or loss:				
Loss on revaluation of property and equipment, net of tax	(6)	(52)	(54)	(47)
Items to be subsequently reclassified to profit or loss:				
(Loss)/gain on revaluation of available-for-sale investment securities (net of tax – Nil tenge)	(5,388)	225	(7,852)	4,466
(Gain)/loss on sale of available-for-sale investment securities (net of tax – Nil tenge)	109	(166)	(68)	(750)
Loss on impairment of available-for-sale investment securities (net of tax – Nil tenge)	-	24	-	48
Exchange differences on translation of foreign operations (net of tax – Nil tenge)	(332)	(570)	(449)	(99)
Other comprehensive (loss)/income for the period, net of tax	(5,617)	(539)	(8,423)	3,618
Total comprehensive income for the period	9,290	14,253	25,751	35,228
Attributable to:				
Non-controlling interest	(56)	3	49	175
Preferred shareholders	165	459	420	1,134
Common shareholders	9,181	13,791	25,282	33,919
	9,290	14,253	25,751	35,228

On behalf of the Management Board:

Askar S. Smagulov
Acting Chairman of the Board

15 August 2013
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2013
Almaty, Kazakhstan

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares								
	Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2012	83,571	46,891	13,233	1,496	(39,974)	(41,054)	1,122	8,926	14,754	249,033	337,998	1,641	339,639
Net income	-	-	-	-	-	-	-	-	-	34,134	34,134	40	34,174
Other comprehensive loss	-	-	-	-	-	-	(449)	(7,929)	(54)	-	(8,432)	9	(8,423)
Total comprehensive (loss)/income	-	-	-	-	-	-	(449)	(7,929)	(54)	34,134	25,702	49	25,751
Treasury shares purchased	-	-	-	(120)	(4)	-	-	-	-	-	(124)	-	(124)
Treasury shares sold*	-	3,436	58	45	1	-	-	-	-	-	3,540	-	3,540
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(2,197)	(2,197)	-	(2,197)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(12,215)	(12,215)	-	(12,215)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(204)	204	-	-	-
30 June 2013 (unaudited)	83,571	50,327	13,291	1,421	(39,977)	(41,054)	673	997	14,496	268,959	352,704	1,690	354,394

* Sale of treasury shares is disclosed in Note 32.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares								
	Common shares	**Non-convertible preferred shares**	**Convertible preferred shares**	**Share premium reserve**	**common shares**	**preferred shares**	**Cumulative translation reserve***	**Revaluation reserve of available-for-sale investment securities***	**Property and equipment revaluation reserve***	**Retained earnings***	**Total**	**Non-controlling interest**	**Total equity**
31 December 2011	83,571	46,891	13,233	1,156	(39,960)	-	1,223	3,593	15,487	183,937	309,131	1,196	310,327
Net income	-	-	-	-	-	-	-	-	-	31,438	31,438	172	31,610
Other comprehensive (loss)/income	-	-	-	-	-	-	(99)	3,761	(47)	-	3,615	3	3,618
Total comprehensive (loss)/income	-	-	-	-	-	-	(99)	3,761	(47)	31,438	35,053	175	35,228
Treasury shares purchased	-	-	-	(213)	(8)	(32,404)	-	-	-	-	(32,625)	-	(32,625)
Treasury shares sold	-	-	-	240	10	-	-	-	-	-	250	-	250
Dividends - preferred shares	-	-	-	-	-	-	-	-	-	(4,914)	(4,914)	-	(4,914)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	-	-	(95)	95	-	-	-
30 June 2012 (unaudited)	83,571	46,891	13,233	1,183	(39,958)	(32,404)	1,124	7,354	15,345	210,556	306,895	1,371	308,266

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

On behalf of the Management Board:

Askar S. Smagulov
Acting Chairman of the Board

15 August 2013
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2013
Almaty, Kazakhstan

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)
(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		16	14
Interest received from cash equivalents and amounts due from credit institutions		1,541	1,774
Interest received on available-for-sale investment securities		8,026	7,413
Interest received on investments held-to-maturity		1,285	775
Interest received from loans to customers		63,213	67,745
Interest paid on due to customers		(28,187)	(24,381)
Interest paid on due to credit institutions		(300)	(309)
Interest paid on debt securities issued		(11,898)	(12,892)
Fee and commission received		23,607	22,102
Fee and commission paid		(3,228)	(2,696)
Insurance underwriting income received		25,347	12,666
Ceded insurance share paid		(7,361)	(3,746)
Other income received		4,120	7,263
Operating expenses paid		(23,310)	(25,445)
Insurance reimbursements paid		(5,597)	(4,636)
Reimbursement of losses due to reinsurance risks received		304	1,279
Cash flows from operating activities before changes in net operating assets		47,578	46,926
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		2,049	(7,316)
Financial assets at fair value through profit or loss		132	428
Amounts due from credit institutions		1,630	(4,936)
Precious metals		(18,753)	112
Loans to customers		(6,401)	(3,835)
Insurance assets		(4,927)	(5,542)
Other assets		4,512	5,410
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		(196)	(1,925)
Amounts due to customers		123,737	279,837
Amounts due to credit institutions		(416)	37,505
Insurance liabilities		1,272	3,893
Other liabilities		1,084	(2,123)
Net cash inflow from operating activities before income tax		151,301	348,434
Income tax paid		(8,146)	(2,782)
Net cash inflow from operating activities		143,155	345,652
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(2,544)	(4,037)
Proceeds on sale of property and equipment		509	44
Proceeds on sale of available-for-sale investment securities		75,826	44,696
Purchase of available-for-sale investment securities		(80,843)	(33,990)
Proceeds from redemption of investments held-to-maturity		2,424	75,830
Purchase of investments held-to-maturity		(781)	(58,118)
Net cash (outflow)/inflow from investing activities		(5,409)	24,425

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		3,540	250
Purchase of treasury shares		(124)	(32,625)
Dividends paid – preferred shares		(2,197)	(4,914)
Dividends paid – common shares		(12,215)	-
Redemption and repayment of debt securities issued		(40,765)	(13,112)
Net cash outflow from financing activities		(51,761)	(50,401)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		650	2,933
Net change in cash and cash equivalents		86,635	322,609
CASH AND CASH EQUIVALENTS, beginning of the period	5	534,069	519,991
CASH AND CASH EQUIVALENTS, end of the period	5	620,704	842,600

On behalf of the Management Board:

Askar S. Smagulov
Acting Chairman of the Board

15 August 2013
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2013
Almaty, Kazakhstan

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

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, as well as pension and other asset management, insurance, leasing and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under the license No. 10 for carrying out banking and other operations and activities on the securities market, renewed by the Committee for Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan ("FMSC" – previously known as Agency for Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan) on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by JSC Kazakhstan Deposit Insurance Fund.

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

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

In 2009, JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), an entity controlled by the Government of the Republic of Kazakhstan, acquired 259,064,909 common shares of the Bank for KZT 26,951 million and 196,232,499 non-convertible preferred shares of the Bank for KZT 33,049 million.

In 2011, the Bank acquired from JSC Almex Holding Group (hereafter – "the parent") a call option to purchase 213,000,000 of the Bank's common shares from Samruk-Kazyna at a fixed strike price of KZT 126.8 per share for KZT 12,867 million and has immediately exercised the option and repurchased 213,000,000 of its own common shares from Samruk-Kazyna for KZT 27,008 million.

In 2012, the Bank acquired from the parent a call option to purchase 196,232,499 of the Bank's preferred shares from Samruk-Kazyna at a fixed strike price of KZT 179.94 per share for KZT 7,114 million. In June 2012 the Bank partially exercised the option and repurchased 190,000,000 of its own preferred shares from Samruk-Kazyna for KZT 26,991 million.

On 5 July 2012, the Bank repurchased 40,000,000 of its own preferred shares from Samruk-Kazyna at a price of KZT 180.21 per share for KZT 7,208 million. As a result, the Group has recorded KZT 41,054 million as the cost of acquired treasury shares. After the repurchase, Samruk-Kazyna continues owning 6,232,499 preferred shares of the Bank.

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

As at 30 June 2013 and 31 December 2012, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	30 June 2013 (unaudited)					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan *	758,082,743	6.8%	661,367,710	6.1%	96,715,033	49.3%
GDR	2,074,008,920	18.7%	2,074,008,920	19.0%	-	–
Other	245,460,182	2.2%	166,826,019	1.5%	78,634,163	40.1%
Total shares in circulation (on consolidated basis)	**11,101,700,913**	**100%**	**10,905,584,149**	**100%**	**196,116,764**	**100%**

	31 December 2012					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	7,559,973,820	68.2%	7,559,973,820	69.3%	-	-
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan *	758,082,743	6.8%	661,367,710	6.1%	96,715,033	55.1%
GDR	2,510,925,720	22.7%	2,510,925,720	23.0%	-	-
Other	254,416,525	2.3%	175,694,405	1.6%	78,722,120	44.9%
Total shares in circulation (on consolidated basis)	**11,083,398,808**	**100.0%**	**10,907,961,655**	**100.0%**	**175,437,153**	**100.0%**

* Common and preferred shares owned by JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan are not eliminated as those shares were purchased on clients' funds and are owned by the clients.

On 14 December 2012, the Bank performed a share split of its common shares in proportion of one common share to ten common shares as described in Note 20.

As at 30 June 2013, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 408 cash settlement units (as at 31 December 2012 – 22, 122, 410, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai Avenue, Almaty, 050008, Republic of Kazakhstan.

As at 30 June 2013, the number of the Group's full-time equivalent employees was 11,394 (31 December 2012 – 12,149).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2013 was authorized for issue by the Management Board on 15 August 2013.

2. BASIS OF PRESENTATION

Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS. In the opinion of management, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiary	**Holding, %**		**Country**	**Industry**
	30 June 2013 (unaudited)	**31 December 2012**		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Affiliated organization of Halyk Bank of Kazakhstan "Halyk Collection"	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
LLP NBK-Finance	100	100	Russia	Broker and dealer activities
JSC Kazakhinstrakh	100	100	Kazakhstan	Insurance
OJSC NBK-Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
JSC Accumulated Pension fund of Halyk Bank of Kazakhstan	96	96	Kazakhstan	Pension assets accumulation and management
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and bad assets

Associates

JSC Processing Centre, the associate, provides data processing services in Kazakhstan. It is classified within other assets and accounted for under the equity method:

Holding, %	Share of JSC Halyk Bank in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 30 June 2013 and for the six months then ended (unaudited)					
25.14	-	9	-	9	1
As at 31 December 2012 and for the year then ended					
25.14	(1)	9	-	9	1

3. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared on the accrual basis of accounting under the historical cost convention, except for certain financial instruments that are accounted for at fair value, insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation.

In preparing this interim condensed consolidated financial information, the Group applied the same accounting policies and methods of computation as those applied in the consolidated financial statements of the Group for the year ended 31 December 2012, except for the impact of the new Standards and Interpretations described below.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

The Group has applied retrospectively a package of Standards on consolidation, joint arrangements, associates and disclosures, including IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures.

Key requirements of these Standards are described below.

IFRS 10 Consolidated Financial Statements replaced the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities is withdrawn. Under IFRS 10 Consolidated Financial Statements, there is only one basis for consolidation, that is, control. In addition, IFRS 10 Consolidated Financial Statements includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s return. Extensive guidance has been added in IFRS 10 Consolidated Financial Statements to deal with complex scenarios.

The Group assessed that adoption of IFRS 10 Consolidated Financial Statements did not result in any change in the consolidation status of its subsidiaries.

IFRS 11 Joint Arrangements replaced IAS 31 Interests in Joint Ventures. IFRS 11 Joint Arrangements deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers is withdrawn. Under IFRS 11 Joint Arrangements, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, joint ventures under IFRS 11 Joint Arrangements are required to be accounted for using the equity method of accounting.

Application of the Amendments to IFRS 11 Joint Arrangements did not result in changes to the Group's interim condensed consolidated financial information.

IFRS 12 Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

Application of IFRS 12 Disclosure of Interests in Other Entities did not result in significant changes to the Group's interim condensed consolidated financial information.

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 Fair Value Measurement is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. Application of IFRS 13 Fair Value Measurement resulted in more extensive disclosures in the interim condensed consolidated financial information.

Amendments to IAS 1 Presentation of Financial Statements "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to IAS 1 Presentation of Financial Statements "Presentation of Items of Other Comprehensive Income". The amendments require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Several other amendments including amended IFRS 7 Financial Instruments: Disclosures "Disclosures – Offsetting Financial Assets and Financial Liabilities" and amendments resulting from "Annual Improvements to IFRSs" (2009-2011 cycle) were applied for the first time in these interim condensed consolidated financial statements. Application of these amendments did not result in significant changes to the Group's financial position or results of operations.

4. SIGNIFICANT ACCOUNTING ESTIMATES

In preparing this interim condensed consolidated financial information, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 June 2013 (unaudited)	31 December 2012
Cash on hand	76,585	64,256
Recorded as loans and receivables in accordance with IAS 39:		
Short-term deposits with Organization for Economic Co-operation and Development countries ("OECD") based banks	310,153	257,783
Overnight deposits with OECD based banks	98,573	-
Correspondent accounts with the National Bank of Kazakhstan ("NBK")	67,993	114,175
Correspondent accounts with OECD based banks	41,125	70,088
Short-term deposits with Kazakhstan banks	11,456	3,510
Short-term deposits with the NBK	7,001	15,001
Correspondent accounts with non-OECD based banks	6,062	5,764
Short-term deposits with non-OECD based banks	1,673	3,437
Overnight deposits with non-OECD based banks	83	55
	620,704	534,069

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

	30 June 2013 (unaudited)		31 December 2012	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.1%-0.7%	-	0.1%-1.0%
Overnight deposits with OECD based banks	-	0.01%-0.1%	-	-
Short-term deposits with Kazakhstan banks	3.0%	-	-	-
Short-term deposits with NBK	0.5%	-	0.5%-1.0%	-
Short-term deposits with non-OECD based bank	-	2.0%	-	4.0%-6.0%
Overnight deposits with non-OECD based banks	-	2.5%	-	0.1%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements within short-term deposits with Kazakhstan banks as at 30 June 2013 and 31 December 2012 are presented as follows:

	30 June 2013 (unaudited)		31 December 2012	
	Carrying value of deposits	Fair value of collateral	Carrying value of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan and NBK notes	10,944	11,899	3,459	3,721
Equity securities of Kazakhstan banks	362	362	51	51
	11,306	12,261	3,510	3,772

As at 30 June 2013 and 31 December 2012, maturities of loans under reverse repurchase agreements are less than 1 month.

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 June 2013 (unaudited)	31 December 2012
Recorded as loans and receivables in accordance with IAS 39:		
Due from the NBK allocated to obligatory reserves	46,418	48,467
	46,418	48,467

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the NBK and used for calculation of the minimum reserve requirement.

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

Financial assets at fair value through profit or loss comprise:

	30 June 2013 (unaudited)	31 December 2012
Financial assets held for trading:		
Derivative financial instruments	632	733
Corporate bonds	377	277
Securities of foreign organizations	182	144
Equity securities of Kazakhstan corporations	67	85
Bonds of JSC Development Bank of Kazakhstan	33	32
	1,291	1,271

Financial liabilities at fair value through profit or loss comprise:

	30 June 2013 (unaudited)	31 December 2012
Financial liabilities held for trading:		
Derivative financial instruments	246	439

Interest rates of financial assets at fair value through profit or loss are presented as follows:

	30 June 2013 (unaudited) Interest rate	31 December 2012 Interest rate
Corporate bonds	4.9%	7.6%
Securities of foreign organizations	12.3%	13.8%
Bonds of JSC Development Bank of Kazakhstan	5.5%	5.5%

Derivative financial instruments comprise:

	30 June 2013 (unaudited)			31 December 2012		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts:						
Forwards	47,858	39	82	32,159	83	51
Swaps	49,967	347	164	40,321	395	388
Options	4,845	246	-	7,231	255	-
		632	246		733	439

As at 30 June 2013 and 31 December 2012, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2013 (unaudited)	31 December 2012
Recorded as loans and receivables in accordance with IAS 39:		
Loans to credit institutions	15,251	15,931
Term deposits	14,955	15,765
Deposit pledged as collateral for derivative financial instruments	1,155	1,105
	31,361	32,801
Less - Allowance for loan impairment (Note 17)	(3)	(2)
	31,358	32,799

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

	30 June 2013 (unaudited)		31 December 2012	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Loans to credit institutions	5.2%-17.0%	2013-2017	8.2%-17.0%	2017
Term deposits	0.5%-9.0%	2013-2015	0.5%-9.0%	2013-2015
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2014	0.2%-1.8%	2013

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 June 2013 (unaudited)	31 December 2012
Treasury bills of the Ministry of Finance of Kazakhstan	101,504	110,878
Corporate bonds	83,693	88,657
Securities of foreign organizations	75,802	84,719
Treasury bills of the Russian Federation	27,681	11,254
Bonds of JSC Development Bank of Kazakhstan	19,353	20,839
Bonds of Kazakhstan banks	10,207	8,349
NBK notes	5,476	889
Local municipal bonds	3,976	3,997
Equity securities of Kazakhstan corporations	3,028	2,529
Mutual investment funds shares	1,268	1,927
Equity securities of foreign corporations	367	136
Equity securities of Kazakhstan banks	50	188
	332,405	334,362
Subject to repurchase agreements		
NBK notes and Treasury bills of the Ministry of Finance of Kazakhstan	921	3,369

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

	30 June 2013 (unaudited)		31 December 2012	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.9%	2013-2027	4.5%	2013-2027
Corporate bonds	6.8%	2013-2021	7.2%	2013-2021
Securities of foreign organizations	3.8%	2013-2020	3.8%	2013-2020
Treasury bills of the Russian Federation	2.8%	2015-2021	3.4%	2015-2021
Bonds of JSC Development Bank of Kazakhstan	4.9%	2015-2026	5.6%	2015-2026
Bonds of Kazakhstan banks	8.8%	2013-2030	8.3%	2013-2022
NBK notes	1.0%	2013	1.0%	2013
Local municipal bonds	4.9%	2015	4.9%	2015

As at 30 June 2013 and 31 December 2012, the Group used quoted market prices from independent information sources to determine the fair value for all of its available-for-sale investment securities.

10. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	30 June 2013 (unaudited)	31 December 2012
Treasury bills of the Ministry of Finance of Kazakhstan	10,447	12,437
Corporate bonds	8,522	8,237
Bonds of Kazakhstan banks	3,142	3,065
Securities of foreign organizations	1,015	996
Notes of the National Bank of Georgia	584	579
Treasury bills of Kyrgyz Republic	321	225
Notes of the National Bank of Kyrgyz Republic	62	222
NBK notes	20	5
	24,113	25,766

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

	30 June 2013 (unaudited)		31 December 2012	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1.9%	2015-2030	5.1%	2013-2030
Corporate bonds	11.5%	2015-2020	12.6%	2015-2020
Bonds of Kazakhstan banks	9.4%	2013-2016	9.7%	2013-2016
Securities of foreign organizations	14.9%	2014-2016	14.6%	2014-2016
Notes of the National Bank of Georgia	12.6%	2016-2017	13.2%	2016-2017
Treasury bills of Kyrgyz Republic	8.5%	2013-2014	14.1%	2013
NBK notes	0.8%	2013	1.5%	2013
Notes of the National bank of Kyrgyz Republic	0.9%	2013	2.3%	2013

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2013 (unaudited)	31 December 2012
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,642,227	1,619,850
Overdrafts	800	2,284
	1,643,027	1,622,134
Less – Allowance for loan impairment (Note 17)	(307,093)	(302,926)
	1,335,934	1,319,208

Average interest rate on loans to customers is calculated as interest income divided by average balances of loans to customers. As at 30 June 2013, average interest rate on loans was 11.6% (as at 31 December 2012 – 12.1%)

As at 30 June 2013, the Group's loan concentration to the ten largest borrowers was KZT 332,235 million, which comprised 20% of the Group's total gross loan portfolio (as at 31 December 2012 – KZT 331,012 million; 20%) and 94% of the Group's total equity (as at 31 December 2012 – 97%).

As at 30 June 2013, an allowance for loan impairment amounting to KZT 50,826 million was made against these loans (as at 31 December 2012 – KZT 45,948 million).

Loans are granted to the following sectors:

	30 June 2013 (unaudited)	**Share**	**31 December 2012**	**Share**
Retail loans:				
- consumer loans	260,649	16%	219,809	14%
- mortgage loans	106,024	7%	110,141	7%
	366,673		329,950	
Wholesale trade	281,288	17%	287,126	18%
Services	218,612	13%	157,560	9%
Construction	155,779	10%	168,244	10%
Real estate	123,231	8%	120,038	7%
Retail trade	111,643	7%	104,408	6%
Agriculture	90,289	6%	116,467	7%
Financial services	61,637	4%	66,250	4%
Transportation	39,050	2%	39,885	3%
Mining	37,418	2%	36,143	2%
Metallurgy	36,385	2%	36,851	2%
Hotel industry	32,916	2%	32,668	2%
Food industry	30,682	2%	37,414	2%
Chemical industry	19,326	1%	41,127	3%
Machinery	7,430	0%	9,416	1%
Oil and gas	5,668	0%	10,836	1%
Light industry	4,138	0%	4,553	0%
Energy	1,972	0%	7,906	1%
Communication	456	0%	1,642	0%
Other	18,434	1%	13,650	1%
	1,643,027	100%	1,622,134	100%

As at 30 June 2013 the amount of accrued interest on loans comprised KZT 111,685 million (as at 31 December 2012 – KZT 103,278 million).

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 June 2013 (unaudited)	31 December 2012
Reinsurance premium unearned	8,520	7,065
Reinsurance amounts recoverable	5,069	5,003
	13,589	12,068
Premiums receivable	5,872	2,855
Insurance assets	19,461	14,923

Insurance liabilities comprised the following:

	30 June 2013 (unaudited)	31 December 2012
Reserves for insurance claims	18,119	13,108
Gross unearned insurance premium reserve	14,236	9,908
	32,355	23,016
Payables to reinsurers and agents	3,705	2,185
Insurance liabilities	36,060	25,201

13. OTHER ASSETS

Other assets comprise:

	30 June 2013 (unaudited)	31 December 2012
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	4,828	5,429
Debtors on non-banking activities	1,154	1,076
Accrued commission for managing pension assets	506	2,239
Accrued other commission income	717	647
Other	26	3
	7,231	9,394
Less – Allowance for impairment (Note 17)	(2,455)	(1,576)
	4,776	7,818
Other non financial assets:		
Corporate income tax prepaid	2,591	1,835
Inventory	1,425	1,442
Advances for taxes other than income tax	1,412	1,222
Prepayments for property and equipment	1,258	1,153
Deferred tax asset (Note 18)	96	1,091
Investments in associates	51	53
Other	608	568
	7,441	7,364
Less – Allowance for impairment (Note 17)	(845)	(813)
	6,596	6,551
	11,372	14,369

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 June 2013 (unaudited)	31 December 2012
Recorded at amortized cost:		
Term deposits:		
Individuals	627,238	543,591
Legal entities	396,099	401,705
	1,023,337	945,296
Current accounts:		
Legal entities	621,434	603,249
Individuals	175,148	150,637
	796,582	753,886
	1,819,919	1,699,182

As at 30 June 2013, the Group's ten largest groups of related customers accounted for approximately 36% of the total amounts due to customers (31 December 2012 – 42%), where each group of related customers represents customers related to each other within that group.

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

An analysis of customer accounts by sector is as follows:

	30 June 2013 (unaudited)	Share	31 December 2012	Share
Individuals and entrepreneurs	802,386	44%	694,228	41%
Oil and gas	428,410	24%	312,023	18%
Transportation	92,254	5%	58,308	3%
Construction	76,095	4%	68,627	4%
Wholesale trade	60,756	3%	107,014	6%
Insurance and pension funds activity	57,924	3%	11,187	1%
Financial sector	56,758	3%	123,951	7%
Other consumer services	43,126	2%	77,579	5%
Government	31,966	2%	78,316	5%
Metallurgy	27,740	2%	29,862	2%
Education	21,551	1%	13,862	1%
Communication	18,296	1%	28,675	2%
Healthcare and social services	16,307	1%	8,858	0%
Energy	14,121	1%	12,577	1%
Other	72,229	4%	74,115	4%
	1,819,919	100%	1,699,182	100%

Certain customers of the Bank acquired unallocated precious metals, which are held on metal accounts with the Bank. The Bank does not actively trade precious metals positions.

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2013 (unaudited)	31 December 2012
Recorded at amortized cost:		
Loans and deposits from OECD based banks	4,561	5,403
Loans and deposits from Kazakhstan banks	3,717	4,784
Correspondent accounts	3,267	2,529
Loans and deposits from non-OECD based banks	1,666	944
Loans from the other financial institutions	1,611	1,542
	14,822	15,202

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

	30 June 2013 (unaudited)		31 December 2012	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Loans and deposits from OECD based banks	0.7% - 6.5%	2013-2023	0.8%-6.5%	2013-2023
Loans and deposits from Kazakhstan banks	0.8%-4.1%	2013-2014	3.0%	2013
Loans and deposits from non-OECD based banks	0.5%-1.5%	2013	5.5%	2013
Loans from other financial institutions	2.7%-5.8%	2014-2018	2.8%-5.2%	2014-2016

Fair value of assets pledged and carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 June 2013 and 31 December 2012 are presented as follows:

	30 June 2013 (unaudited)		31 December 2012	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Treasury bills of the Ministry of Finance of Kazakhstan	636	580	2,943	2,791
Equity securities of Kazakhstan banks and corporations	286	200	426	300
	922	780	3,369	3,091

As at 30 June 2013 and 31 December 2012, the maturities of loans and deposits under repurchase agreements are less than 1 month.

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

The Group's management believes that as at 30 June 2013 and 31 December 2012, the Group was in compliance with the covenants of the agreements the Group has with other banks and credit institutions.

16. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 June 2013 (unaudited)	31 December 2012
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	11,642	11,725
Reverse inflation indexed KZT denominated bonds	8,442	8,455
Inflation indexed KZT denominated bonds	3,927	3,926
Total subordinated debt securities outstanding	24,011	24,106
Unsubordinated debt securities issued:		
USD denominated bonds	238,340	277,813
Total unsubordinated debt securities outstanding	238,340	277,813
Total debt securities outstanding	262,351	301,919

The coupon rates and maturities of these debt securities issued follow:

	30 June 2013 (unaudited)		31 December 2012	
	Coupon rate	Maturity, year	Coupon Rate	Maturity, year
Subordinated debt securities issued:				
Fixed rate KZT denominated bonds	7.5%-13.0%	2014-2018	7.5%-13.0%	2014-2018
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%-9.3%	2013-2021	7.3%-9.3%	2013-2021

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group’s ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group’s other financing arrangements. The Group’s management believes that as at 30 June 2013 and 31 December 2012 the Group was in compliance with the covenants of the agreements the Group has with the notes’ trustees and holders.

17. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

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

	Loans to customers	Amounts due from credit institutions	Available-for-sale investment securities	Other assets	Total
31 March 2013 (unaudited)	(304,682)	(2)	(999)	(2,660)	(308,343)
Additional provisions recognized	(3,638)	(1)	-	(635)	(4,274)
Write-offs	1,806	-	-	6	1,812
Foreign exchange differences	(579)	-	-	(11)	(590)
30 June 2013 (unaudited)	(307,093)	(3)	(999)	(3,300)	(311,395)
31 March 2012 (unaudited)	(298,370)	(2)	(1,074)	(2,020)	(301,466)
(Additional provisions recognized)/recovery of provision	(831)	-	24	(230)	(1,037)
Write-offs	5,356	-	-	158	5,514
Foreign exchange differences	(1,162)	1	-	3	(1,158)
30 June 2012 (unaudited)	(295,007)	(1)	(1,050)	(2,089)	(298,147)
31 December 2012	(302,926)	(2)	(999)	(2,389)	(306,316)
Additional provisions recognized	(5,547)	(1)	-	(989)	(6,537)
Write-offs	1,948	-	-	83	2,031
Foreign exchange differences	(568)	-	-	(5)	(573)
30 June 2013 (unaudited)	(307,093)	(3)	(999)	(3,300)	(311,395)
31 December 2011	(291,303)	(2)	(1,098)	(2,225)	(294,628)
(Additional provisions recognized)/recovery of provision	(8,225)	1	48	(64)	(8,240)
Write-offs	5,425	-	-	200	5,625
Foreign exchange differences	(904)	-	-	-	(904)
30 June 2012 (unaudited)	(295,007)	(1)	(1,050)	(2,089)	(298,147)

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

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
At the beginning of the period	(3,915)	(3,063)	(4,385)	(3,388)
Additional provisions recognized	(1,597)	(3,120)	(3,779)	(4,634)
Recovery of provisions	970	1,317	3,594	3,183
Foreign exchange differences	3	12	31	(15)
At the end of the period	(4,539)	(4,854)	(4,539)	(4,854)

18. TAXATION

The Bank and its subsidiaries, other than HSBK (Europe) B.V., OJSC NBK Bank, OJSC Halyk Bank Kyrgyzstan, LLP NBK-Finance and JSC Halyk Bank Georgia are subject to taxation in Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. OJSC NBK Bank and LLP NBK-Finance are subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Current tax charge	3,671	4,233	6,267	7,503
Deferred tax (benefit)/charge	(524)	(1,047)	947	(695)
Income tax expense	3,147	3,186	7,214	6,808

The tax rate for Kazakhstan companies was 20% during the six months ended 30 June 2013 and 2012. Income on state and other qualifying securities is tax exempt.

The tax rates in the Netherlands, the Russian Federation, the Republic of Kyrgyzstan and Georgia are 20%, 20%, 10% and 15%, respectively.

Deferred tax assets and liabilities comprise:

	30 June 2013 (unaudited)	31 December 2012
Tax effect of deductible temporary differences:		
Insurance premium reserves	-	917
Bonuses accrued	871	1,069
Provisions, different rates	447	557
Vacation pay accrual	231	151
Fair value of derivatives	38	51
Deferred tax asset	1,587	2,745
Tax effect of taxable temporary differences:		
Loans to customers, allowance for impairment losses	(4,453)	(5,056)
Property and equipment, accrued depreciation	(4,782)	(4,400)
Fair value of derivatives	(115)	(105)
Deferred tax liability	(9,350)	(9,561)
Net deferred tax liability	(7,763)	(6,816)

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

	30 June 2013 (unaudited)	31 December 2012
Deferred tax asset (Note 13)	96	1,091
Deferred tax liability	(7,859)	(7,907)
Net deferred tax liability	(7,763)	(6,816)

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and other taxes. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, different opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

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

19. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2013 (unaudited)	31 December 2012
Other financial liabilities:		
Creditors on non-banking activities	2,984	644
Payable for general and administrative expenses	1,407	243
Creditors on bank activities	800	1,720
Other	62	44
	5,253	2,651
Other non financial liabilities:		
Salary payable	5,472	6,033
Current income tax payable	2,207	3,329
Taxes payable other than income tax	1,744	1,351
Other prepayments received	406	760
	9,829	11,473
	15,082	14,124

20. EQUITY

Authorized, issued and fully paid number of shares as at 30 June 2013 and 2012 were as follows:

30 June 2013 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000	(12,871,481,549)	11,128,518,451	(222,934,302)	10,905,584,149
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(193,746,831)	116,112,599
Convertible preferred shares	80,225,222	-	80,225,222	(221,057)	80,004,165

30 June 2012 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	2,400,000,000	(1,091,584,040)	1,308,415,960	(218,839,252)	1,089,576,708
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(174,055,621)	135,803,809
Convertible preferred shares	80,225,222	-	80,225,222	(507,898)	79,717,324

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2012	10,907,961,655	95,712,499	79,724,654	43,597	5,837	13,233
Purchase of treasury shares	(3,961,243)	-	(94,252)	(4)	-	-
Sale of treasury shares	1,583,737	20,400,100	373,763	1	3,436	58
30 June 2013 (unaudited)	10,905,584,149	116,112,599	80,004,165	43,594	9,273	13,291
31 December 2011	1,089,338,798	285,803,817	79,846,624	43,611	46,891	13,233
Purchase of treasury shares from Samruk-Kazyna (including the cost of the call option – see Note 1)	-	(150,000,000)	-	-	(32,404)	-
Other purchases of treasury shares	(771,453)	(1,318,698)	(129,300)	(8)	-	-
Sale of treasury shares	1,009,363	1,318,690	-	10	-	-
30 June 2012 (unaudited)	1,089,576,708	135,803,809	79,717,324	43,613	14,487	13,233

Common shares

In accordance with the Decision made on extraordinary shareholders meeting held on 6 December 2012, the Bank increased the total amount of shares by performing a split of the common shares in proportion of one common share to ten common shares. The split was performed on 14 December 2012.

As at 30 June 2013, the Group held 222,934,302 of the Group's common shares as treasury shares at KZT 39,977 million (30 June 2012 – 218,839,252 shares at KZT 39,958 million).

Each common share is entitled to one vote and dividends.

Preferred shares

In accordance with IAS 32 "Financial Instruments: Presentation", both the non-convertible and convertible preferred shares (together, the "Preferred Shares") are classified as compound instruments. Upon the return of capital in the case of liquidation, the assets of the Group available for distribution are applied to any amount equal to paid up share capital or credited as paid up share capital due to the holders of the Preferred Shares in priority to the holders of the Common shares.

The terms of the Preferred 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 Preferred shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the Preferred shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on Preferred shares are fully paid.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the share prospectus and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBK plus one per cent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBK plus one per cent. Inflation in either calculation will range between three and nine per cent. Dividends on the Preferred Shares are paid only after the Board of Directors approves payment terms of such dividends and the Annual General Shareholders Meeting approves distribution of net income received for the respective financial year. The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

Convertible preferred shares

Each convertible preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group will pay a compensation amount to each convertible preferred shareholder on conversion based on a formula specified in the share prospectus. This payment is calculated in a way that, if at the date of conversion, the value of the common shares received by the preferred shareholder is less than KZT 160 per share, the Group will reimburse the preferred shareholders for the difference in cash at the time of conversion.

21. COMMITMENTS AND CONTINGENCIES

Financial Commitments and Contingencies

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

	30 June 2013 (unaudited)	31 December 2012
Guarantees issued	150,706	117,730
Commercial letters of credit	14,593	20,970
Commitments to extend credit	13,727	16,146
Financial commitments and contingencies	179,026	154,846
Less: cash collateral against letters of credit	(6,363)	(12,177)
Less: provisions (Note 17)	(4,539)	(4,385)
Total financial commitments and contingencies, net	168,124	138,284

Guarantees issued included above represent financial guarantees where payment is unlikely as at the reporting date, and therefore have not been recorded in the interim consolidated statement of financial position. As at 30 June 2013, the ten largest guarantees accounted for 79% of the Group's total financial guarantees (as at 31 December 2012 – 78%) and represented 34% of the Group's total equity (as at 31 December 2012 – 27%).

As at 30 June 2013, the ten largest letters of credit accounted for 56% of the Group's total commercial letters of credit (as at 31 December 2012 –41%) and represented 2% of the Group's total equity (as at 31 December 2012 – 3%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be unnecessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Trust activities

In the normal course of its business, the Group enters into agreements with its customers to manage the customers' assets with limited decision making rights and in accordance with specific criteria established by the customers. The Group may only be liable for losses or actions aimed at appropriation of the customers' funds if such funds or securities are not returned to the customer. The maximum potential financial risk of the Group on any date is equal to the volume of the customers' funds, net of any unrealized income/loss on the customer's position. The balance of the customers' funds under the management of the Group, as at 30 June 2013 is KZT 1,127 billion (31 December 2012 - KZT 1,060 billion).

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this condensed interim consolidated financial information.

Taxation

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

Such uncertainty may relate to the valuation of financial instruments 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 management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the condensed interim consolidated financial information.

In Kazakhstan tax years remain open to review by the tax authorities within the subsequent five years. However, the tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges that there was prevention to conducting of the tax reviews by the tax authorities.

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks more than developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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22. NET INTEREST INCOME

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on impaired assets	31,285	24,720	52,996	46,945
- interest income on unimpaired assets	9,109	11,251	26,437	25,300
Interest income on available-for-sale investment securities	3,967	3,923	7,982	7,312
Interest income on financial assets at fair value through profit or loss	7	9	15	14
Total interest income	44,368	39,903	87,430	79,571
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	39,108	34,512	76,549	69,702
Interest income on investments held-to-maturity	484	909	1,653	1,581
Interest income on amounts due from credit institutions and cash and cash equivalents	802	550	1,231	962
Total interest income on financial assets recorded at amortized cost	40,394	35,971	79,433	72,245
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	7	9	15	14
Total interest income on financial assets at fair value through profit or loss	7	9	15	14
Interest income on available-for-sale investment securities	3,967	3,923	7,982	7,312
Total interest income	44,368	39,903	87,430	79,571
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(18,763)	(16,885)	(38,327)	(34,001)
Total interest expense	(18,763)	(16,885)	(38,327)	(34,001)
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on amounts due to customers	(12,900)	(10,746)	(26,262)	(21,495)
Interest expense on debt securities issued	(5,668)	(5,997)	(11,762)	(12,195)
Interest expense on amounts due to credit institutions	(195)	(142)	(303)	(311)
Total interest expense on financial liabilities recorded at amortized cost	(18,763)	(16,885)	(38,327)	(34,001)
Net interest income before impairment charge	25,605	23,018	49,103	45,570

23. FEES AND COMMISSION INCOME

Fee and commission income was derived from the following sources:

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Bank transfers - settlements	2,747	2,550	4,925	4,577
Plastic cards maintenance	1,904	1,385	3,232	2,565
Cash operations	1,801	1,103	3,248	2,001
Bank transfers – salary projects	1,569	1,272	2,881	2,492
Customers' pension payments	1,052	1,098	2,079	1,989
Letters of credit and guarantees issued	924	521	1,670	1,040
Maintenance of customer accounts	38	245	479	463
Pension fund and asset management	(1,105)	1,030	2,419	6,500
Other	573	465	1,010	813
	9,503	9,669	21,943	22,440

Fee and commission income from Pension fund and asset management was derived from the following:

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Investment (loss)/income from management of pension assets	(2,554)	(269)	(484)	3,969
Income from administration of pension assets	1,449	1,299	2,903	2,531
	(1,105)	1,030	2,419	6,500

JSC Accumulated Pension fund of Halyk Bank ("the Pension Fund Management Company") receives two types of fees – 15% for management of pension assets based on the investment income earned or loss incurred on the pension assets during the respective month and 0.05% earned monthly based on total net assets under administration.

The investment loss from the management of pension assets for the period ended 30 June 2013 was incurred due to a significant decrease in prices of gold in April 2013 and a decrease in the fair values of certain investments in the portfolio of the pension assets of the Pension fund.

24. NET GAIN/(LOSS) FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Three months ended 30 June 2013 (unaudited)	**Three months ended 30 June 2012 (unaudited)**	**Six months ended 30 June 2013 (unaudited)**	**Six months ended 30 June 2012 (unaudited)**
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
Unrealized net loss on trading operations	(7)	53	(42)	(631)
Net gain on derivative operations	642	463	1,012	903
Realized (loss)/gain on trading operations	(413)	(1,258)	148	(809)
	222	(742)	1,118	(537)

25. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 30 June 2013 (unaudited)	**Three months ended 30 June 2012 (unaudited)**	**Six months ended 30 June 2013 (unaudited)**	**Six months ended 30 June 2012 (unaudited)**
Dealing, net	1,211	1,507	2,353	3,284
Translation differences, net	262	1,125	292	1,013
	1,473	2,632	2,645	4,297

26. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 30 June 2013 (unaudited)	**Three months ended 30 June 2012 (unaudited)**	**Six months ended 30 June 2013 (unaudited)**	**Six months ended 30 June 2012 (unaudited)**
Insurance premiums written, gross	8,143	6,222	23,822	16,690
Change in unearned insurance premiums, net	386	1,013	(2,999)	(1,605)
Ceded reinsurance share	(2,800)	(2,538)	(8,015)	(6,324)
	5,729	4,697	12,808	8,761
Insurance payments	3,043	2,848	4,746	4,537
Insurance reserves	1,077	642	5,024	1,175
Commission to agents	90	74	318	168
	4,210	3,564	10,088	5,880
	1,519	1,133	2,720	2,881

27. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Salaries and other employee benefits	8,155	7,664	16,396	13,957
Depreciation and amortization	1,413	1,719	2,983	3,511
Taxes other than income tax	564	520	1,075	956
Professional services	454	93	491	146
Advertisement	386	288	579	401
Security	354	358	711	708
Repairs and maintenance	349	453	584	723
Rent	322	312	621	599
Communication	288	317	600	616
Insurance agents' fees	280	212	472	402
Information services	222	163	408	328
Business trip expenses	169	186	277	303
Stationery and office supplies	144	152	298	309
Transportation	125	142	245	258
Charity	56	44	64	51
Hospitality expenses	6	10	15	22
Social events	5	9	14	11
Other	654	658	1,215	1,269
	13,946	13,300	27,048	24,570

28. EARNINGS PER SHARE

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

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2013 (unaudited)	Three months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
Basic earnings per share				
Net income for the period attributable to equity holders of the parent	14,972	14,789	34,134	31,438
Less: Dividends paid on preference shares	(2,197)	(4,914)	(2,197)	(4,914)
Earnings attributable to common shareholders	12,775	9,875	31,937	26,524
Weighted average number of common shares for the purposes of basic earnings per share	10,906,030,815	10,909,761,956	10,906,784,307	10,909,705,312
Basic earnings per share (in Kazakhstani Tenge)*	1.17	0.91	2.93	2.43
Diluted earnings per share				
Earnings used in the calculation of basic earnings per share	12,775	9,875	31,937	26,524
Add: Dividends paid on convertible preferred shares	899	1,147	899	1,147
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders*	N/A	N/A	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	(10,473)	(10,950)	(10,439)	(10,955)
Earnings used in the calculation of total diluted earnings per share	3,201	72	22,397	16,716
Weighted average number of common shares for the purposes of basic earnings per share	10,906,030,815	10,909,761,956	10,906,784,307	10,909,705,312
Weighted average number of common shares that would be issued for the convertible preferred shares	79,654,631	79,778,624	79,766,329	79,815,130
Weighted average number of common shares for the purposes of diluted earnings per share	10,985,685,446	10,989,540,580	10,986,550,636	10,989,520,442
Diluted earnings per share (in Kazakhstani Tenge)*	0.29	0.01	2.04	1.52

* The calculation of basic and diluted earnings per share includes only earnings attributable to holders of common shares because dividends already paid on preference shares are greater than that would be paid on full distribution of current period earnings.

Basic and diluted earnings per share for the periods ended 30 June 2013 and 2012 were presented based on the new number of shares resulting from the share split on 14 December 2012 (see Note 20).

On 8 November 2010, KASE has enacted new rules for listed companies that require presentation of book value of one share in the financial statements of the listed companies.

The book value of one share per each class of shares as at 30 June 2013 and 31 December 2012 is as follows.

Class of shares	Outstanding shares	30 June 2013 (unaudited) Equity	Book value of one share, in KZT
Common	10,905,584,149	325,075	29.81
Non-convertible preferred	116,112,599	10,510	90.52
Convertible preferred	80,004,165	13,291	166.13
		348,876	

Class of shares	Outstanding shares	31 December 2012 Equity	Book value of one share, in KZT
Common	10,907,961,655	313,738	28.76
Non-convertible preferred	95,712,499	7,074	73.91
Convertible preferred	79,724,654	13,233	165.98
		334,045	

The amount of equity attributable to non-convertible preferred shares is calculated as the sum of non-convertible shares carrying amount and the share premium reserve attributable to non-convertible preferred shares. The amount of equity attributable to convertible preferred shares is calculated as carrying amount of convertible shares. The amount of equity attributable to common shares is calculated as the difference between the total equity, total net book value of intangible assets, and the amounts attributable to preferred shares.

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

29. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

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

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

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

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

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

Structure and authorities of credit committees

Credit committees, ALMC, the Management Board and the Board of Directors are credit authorities responsible for implementation of the Bank’s Credit Policy and credit decision-making process.

Head Office Credit Committee (CC)

CC is the committee, the primary goal of which is implementation of the Bank’s Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee (BCC, BNCC)

BCC and BNCC are committees, the primary goal of which is implementation of the Bank’s Credit Policy in terms of granting financial instruments via branches to the small and medium enterprises customers.

Delegated credit authority limits for BCC and BNCC are established by the Management Board. BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank’s experts.

Retail Branch Credit Committee of the Head Office and Decision Making Center (RCCHO and DMC)

RCCHO and DMC are credit decision authorities, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

DMC comprises of credit underwriters with delegated credit authorities based on four eyes principle. DMC makes credit decisions within their authorities and limits established by the Management Board and RCCHO. RCCHO is authorized to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the process of decision-making via the credit decision authorities mentioned above, there is an automated approach of decision-making process for potential borrowers whose income can be confirmed by the Independent Government body. This approach takes into account risk-profile of the potential borrower and allows minimizing the credit risk exposure in the decision-making process.

Problem loans committee of the Head Office, branches

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorized credit authorities of the Bank subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the Authorized credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant Credit committee according to the Bank's internal rules and regulations.

ALMC

ALMC is the committee, the primary goal of which is profit maximization and to limit the risks of banking activities related to raising and allocation of funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

ALMC is also responsible for establishing country and counterparty-banks limits. ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, Branch Network Credit Committee, Retail Credit Committee of the Head Office, or exceeding the relevant limits of Branch Network Credit Committee, Retail Credit Committee of the Head Office have to be considered by the Management Board.

The Board of Directors

If the loan applications exceed 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Currency Risk

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

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

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

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

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

	30 June 2013 (unaudited)			31 December 2012		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	110,881	509,823	620,704	71,763	462,306	534,069
Obligatory reserves	24,459	21,959	46,418	24,324	24,143	48,467
Financial assets at fair value through profit or loss	905	386	1,291	303	968	1,271
Amounts due from credit institutions	29,329	2,029	31,358	21,205	11,594	32,799
Available-for-sale investment securities	171,677	160,728	332,405	177,232	157,130	334,362
Investments held to maturity	15,318	8,795	24,113	17,233	8,533	25,766
Loans to customers	942,857	393,077	1,335,934	965,552	353,656	1,319,208
Other financial assets	4,377	399	4,776	6,571	1,247	7,818
	1,299,803	1,097,196	2,396,999	1,284,183	1,019,577	2,303,760
FINANCIAL LIABILITIES:						
Amounts due to customers	1,050,236	769,683	1,819,919	1,030,300	668,882	1,699,182
Amounts due to credit institutions	4,486	10,336	14,822	5,382	9,820	15,202
Financial liabilities at fair value through profit or loss	-	246	246	-	439	439
Debt securities issued	24,011	238,340	262,351	23,977	277,942	301,919
Other financial liabilities	5,094	159	5,253	2,430	221	2,651
	1,083,827	1,018,764	2,102,591	1,062,089	957,304	2,019,393
Net financial position	215,976	78,432	294,408	222,094	62,273	284,367

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

Liquidity Risk

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

Short-term liquidity needs are managed by the Group's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means. In order to manage liquidity risk, the Group analyzes the financial assets, obligatory reserves and liabilities, taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

	30 June 2013 (unaudited)					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	325,567	295,137	-	-	-	620,704
Obligatory reserves	26,993	2,877	12,288	2,283	1,977	46,418
Financial assets at fair value through profit or loss	1,291	-	-	-	-	1,291
Amounts due from credit institutions	2,086	857	4,573	23,841	1	31,358
Available-for-sale investment securities	4,372	5,314	50,397	169,270	103,052	332,405
Investments held to maturity	191	96	2,587	16,051	5,188	24,113
Loans to customers	137,311	121,777	575,651	380,215	120,980	1,335,934
Other financial assets	3,978	374	200	170	54	4,776
	501,789	426,432	645,696	591,830	231,252	2,396,999
FINANCIAL LIABILITIES:						
Amounts due to customers	1,031,212	130,006	526,304	103,507	28,890	1,819,919
Amounts due to credit institutions	8,501	492	764	1,306	3,759	14,822
Financial liabilities at fair value through profit or loss	246	-	-	-	-	246
Debt securities issued	2,234	-	77,146	107,426	75,545	262,351
Other financial liabilities	1,360	3,375	501	17	-	5,253
	1,043,553	133,873	604,715	212,256	108,194	2,102,591
Net position	(541,764)	292,559	40,981	379,574	123,058	
Accumulated gap	(541,764)	(249,205)	(208,224)	171,350	294,408	

	31 December 2012					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	291,363	242,706	-	-	-	534,069
Obligatory reserves	28,017	3,298	12,270	2,633	2,249	48,467
Financial assets at fair value through profit or loss	1,271	-	-	-	-	1,271
Amounts due from credit institutions	48	6,557	8,094	17,799	301	32,799
Available-for-sale investment securities	3,125	17,403	57,373	189,484	66,977	334,362
Investments held to maturity	260	157	2,203	18,231	4,915	25,766
Loans to customers	185,647	159,602	627,777	287,899	58,283	1,319,208
Other financial assets	7,011	228	51	177	351	7,818
	516,742	429,951	707,768	516,223	133,076	2,303,760
FINANCIAL LIABILITIES:						
Amounts due to customers	1,032,288	131,690	421,072	85,479	28,653	1,699,182
Amounts due to credit institutions	8,903	26	1,208	1,307	3,758	15,202
Financial liabilities at fair value through profit or loss	366	41	32	-	-	439
Debt securities issued	109	-	116,592	107,847	77,371	301,919
Other financial liabilities	2,425	38	166	22	-	2,651
	1,044,091	131,795	539,070	194,655	109,782	2,019,393
Net position	(527,349)	298,156	168,698	321,568	23,294	
Accumulated gap	(527,349)	(229,193)	(60,495)	261,073	284,367	

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

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

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due from and to credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers

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

Amounts due to customers

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

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.
Financial assets and liabilities at fair value through profit or loss and available-for-sale investment securities are carried at fair value in the consolidated statement of financial position. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1: If a quoted market price is available for an instrument, the fair value is calculated based on the observable market price;

Level 2: When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty;

Level 3: Where market-based valuation parameters are not directly observable, management will make a judgement as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

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

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

The tables below summarises the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2013 and 31 December 2012, before any allowances for impairment losses:

Consolidated statement of financial position category		**Quoted prices in active markets (Level 1)**	**Internal models based on observable market prices (Level 2)**	**Total 30 June 2013**
Assets:				
Financial assets at fair value through profit or loss	Debt financial instruments	592	-	592
	Equity financial instruments	67	-	67
	Derivative financial instruments	-	733	733
Available-for-sale investment securities	Debt financial instruments	327,692	-	327,692
	Equity financial instruments	4,713	-	4,713
Liabilities:				
Financial liabilities at fair value through profit or loss	Derivative financial instruments	-	246	246

Consolidated statement of financial position category		**Quoted prices in active markets (Level 1)**	**Internal models based on observable market prices (Level 2)**	**Total 31 December 2012**
Assets:				
Financial assets at fair value through profit or loss	Debt financial instruments	453	-	453
	Equity financial instruments	85	-	85
	Derivative financial instruments	-	733	733
Available-for-sale investment securities	Debt financial instruments	329,582	-	329,582
	Equity financial instruments	4,780	-	4,780
Liabilities:				
Financial liabilities at fair value through profit or loss	Derivative financial instruments	-	439	439

As at 30 June 2013, there have been no movements between levels in the IFRS fair value hierarchy.

31. SEGMENT ANALYSIS

The Group is managed and reported on the basis of two main operating segments – Corporate banking and Retail banking. The Group's segments are strategic business units that offer different products and services which are managed separately.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and medium sized companies and commercial loans to larger corporate and commercial customers.

The products and services offered by each segment are:

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

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products to legal entities.

Other – representing capital market services, insurance services, and documentary operations with guarantees issued and commercial letters of credit.

The segment information below is presented on the basis used by the Bank's Chairperson of the Management Board, who is the Group's chief operating decision maker, to evaluate performance, in accordance with IFRS 8. The Management of the Group reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and amounts due to credit institutions and operating expenses other than salaries and other employee benefits.

There were no transactions between business segments during the six months ended 30 June 2013 and 2012. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group as at 30 June 2013 and 2012 and for the six months then ended is set out below:

	Retail banking	Corporate banking	Other	Total
As at 30 June 2013 and for the six months then ended (unaudited)				
External revenues	35,065	76,953	14,783	126,801
Total revenues	35,065	76,953	14,783	126,801
Total revenues comprise:				
- Interest income	27,643	59,787	-	87,430
- Fee and commission income	6,432	15,511	-	21,943
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	1,118	1,118
- Net realized gain from available-for-sale investment securities	-	-	68	68
- Net gain on foreign exchange operations	990	1,655	-	2,645
- Insurance underwriting income and other income	-	-	13,597	13,597
Total revenues	35,065	76,953	14,783	126,801
- Interest expense on amounts due to customers	(19,955)	(6,307)	-	(26,262)
- Impairment charge	(1,298)	(5,239)	-	(6,537)
- Fee and commission expense	(613)	(2,615)	-	(3,228)
- Salaries and other employee benefits	(3,532)	(12,864)	-	(16,396)
- Advertisement expenses	(579)	-	-	(579)
- Provisions	-	(185)	-	(185)
Segment result	9,088	49,743	14,783	73,614
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(12,065)
- Insurance claims incurred, net of reinsurance				(10,088)
- Unallocated operating expenses				(10,073)
Income before income tax expense				41,388
Income tax expense				(7,214)
Net Income				34,174
Total segment assets	403,939	1,584,057	357,860	2,345,856
Unallocated assets				169,416
Total assets				2,515,272
Total segment liabilities	(802,386)	(1,017,533)	(4,539)	(1,824,458)
Unallocated liabilities				(336,420)
Total liabilities				(2,160,878)
Other segment items:				
Capital expenditure (unallocated)				(2,544)
Depreciation and amortization expense (unallocated)				(2,983)

	Retail Banking	Corporate banking	Other	Total
As at 30 June 2012 and for the six months then ended (unaudited)				
External revenues	33,528	72,779	11,049	117,356
Total revenues	33,528	72,779	11,049	117,356
Total revenues comprise:				
- Interest income	22,548	57,023	-	79,571
- Fee and commission income	9,849	12,591	-	22,440
- Net loss from financial assets and liabilities at fair value through profit or loss	-	-	(537)	(537)
- Net realized income from available-for-sale investment securities	-	-	750	750
- Net gain on foreign exchange operations	1,131	3,166	-	4,297
- Share of loss of associates	-	(1)	-	(1)
- Insurance underwriting income and other income	-	-	10,836	10,836
Total revenues	33,528	72,779	11,049	117,356
- Interest expense on amounts due to customers	(15,555)	(5,940)	-	(21,495)
- Impairment charge	(1,062)	(7,178)	-	(8,240)
- Fee and commission expense	(491)	(2,205)	-	(2,696)
- Salaries and other employee benefits	(2,733)	(11,224)	-	(13,957)
- Advertisement expenses	(401)	-	-	(401)
- Provision	-	(1,451)	-	(1,451)
Segment result	13,286	44,781	11,049	69,116
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(12,506)
- Insurance claims incurred, net of reinsurance				(5,880)
- Unallocated operating expenses				(10,212)
- Impairment loss of non-current assets held for sale				(2,100)
Income before income tax expense				38,418
Income tax expense				(6,808)
Net income				31,610
Total segment assets	313,246	1,738,134	357,356	2,408,736
Unallocated assets				171,974
Total assets				2,580,710
Total segment liabilities	(602,960)	(1,232,352)	(4,854)	(1,840,166)
Unallocated liabilities				(432,278)
Total liabilities				(2,272,444)
Other segment items:				
Capital expenditure (unallocated)				(4,037)
Depreciation and amortization expense (unallocated)				(3,511)

Geographical information

Information for the main geographical areas of the Group is set out below as at 30 June 2013 and 31 December 2012 and for the six-months ended 30 June 2013 and 2012.

	Kazakhstan	**OECD**	**Non-OECD**	**Total**
30 June 2013 (unaudited)				
Total assets	1,930,335	501,111	83,826	2,515,272
31 December 2012				
Total assets	1,947,751	404,924	55,323	2,407,998
Six months ended 30 June 2013 (unaudited)				
External revenues	122,567	1,383	2,851	126,801
Capital expenditure	(2,544)	-	-	(2,544)
Six months ended 30 June 2012 (unaudited)				
External revenues	112,621	1,909	2,826	117,356
Capital expenditure	(4,037)	-	-	(4,037)

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

32. RELATED PARTY TRANSACTIONS

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

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

The ultimate shareholder of the Group Timur Kulibayev (please see Note 1) held the position of Chairman in Samruk-Kazyna during the period from 12 April 2011 till 26 December 2011. Timur Kulibayev held the position of Chairman of the Board of Directors in subsidiaries of Samruk-Kazyna, including JSC NC KazMunayGas from 21 May 2009 till 12 January 2012 and JSC NC Kazatomprom from October 2008 till 12 January 2012. According to the requirements of IAS 24, applicable for annual reports for periods starting 1 January 2011, the entity is considered as related to the reporting entity if a person, who has control or joint control over reporting entity is considered as a member of key management personnel of the entity or a parent of the entity. Accordingly, Samruk-Kazyna together with its subsidiaries were considered as related parties until 26 December 2011, except for JSC NC KazMunayGas and JSC NC Kazatomprom, which were considered as related parties up to and including 12 January 2012.

The transactions and balances with Samruk-Kazyna are disclosed as a separate line in related party transactions disclosure below for the periods in which Samruk-Kazyna was a shareholder of the Group.

The Group had the following balances outstanding as at 30 June 2013 and 31 December 2012 with related parties:

	30 June 2013 (unaudited)		31 December 2012	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	30	1,291	33	1,271
- Samruk-Kazyna and its subsidiaries	30		33	
Available-for-sale investment securities before allowance for impairment	40,362	333,404	41,132	335,361
- Samruk-Kazyna and its subsidiaries	40,362		41,132	
Allowance for available-for-sale investment securities impairment	(490)	(999)	(490)	(999)
- Subsidiaries of Samruk-Kazyna	(490)		(490)	
Investments held to maturity	2,266	24,113	2,233	25,766
- Subsidiaries of Samruk-Kazyna	2,266		2,233	
Loans to customers before allowance for impairment losses	7,772	1,643,027	8,221	1,622,134
- entities with joint control or significant influence over the entity	6,586		6,738	
- other related parties	1,186		1,483	
Allowance for impairment losses	(322)	(307,093)	(298)	(302,926)
- entities with joint control or significant influence over the entity	(245)		(298)	
- other related parties	(77)		-	
Amounts due to customers	82,900	1,819,919	56,441	1,699,182
- the parent	63,080		36,457	
- entities with joint control or significant influence over the entity	340		558	
- associates	50		75	
- key management personnel of the entity or its parent	2,518		2,057	
- Samruk-Kazyna and its subsidiaries	11,767		11,765	
- other related parties	5,145		5,529	
Amounts due to credit institutions	43	14,822	54	15,202
- Subsidiaries of Samruk-Kazyna	43		54	

Included in the interim consolidated income statement and in the interim statement of other comprehensive income for the six months ended 30 June 2013 and 2012 are the following amounts which arose due to transactions with related parties:

	Six months ended 30 June 2013 (unaudited)		Six months ended 30 June 2012 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	1,439	87,430	3,791	79,571
- *entities with joint control or significant influence over the entity*	402		288	
- *Samruk-Kazyna and its subsidiaries*	990		3,468	
- *other related parties*	47		35	
Interest expense	(1,801)	(38,327)	(2,408)	(34,001)
- *the parent*	(1,455)		(542)	
- *key management personnel of the entity or its parent*	(57)		(66)	
- *Samruk-Kazyna and its subsidiaries*	(260)		(1,776)	
- *other related parties*	(29)		(24)	
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(1)	1,118	(1)	(537)
- *Samruk-Kazyna and its subsidiaries*	(1)		(1)	

	Six months ended 30 June 2013 (unaudited)		Six months ended 30 June 2012 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	639	16,396	765	13,957
- *short-term employee benefits*	639		765	

On 19 April 2013, the subsidiary of the Bank JSC "Halyk Finance" sold 20,400,000 preferred non-convertible shares and 361,375 preferred convertible shares to JSC Almex Holding Group for the total amount of KZT 3,494 million. The transaction was performed on a market conditions.

33. SUBSEQUENT EVENTS

In accordance with Resolution of the Government of the Republic of Kazakhstan #747 dated 31 July 2013, a Single Pension Fund is established, and action plan has been developed for the acquisition of the shares of JSC "Accumulated pension fund of Halyk Bank of Kazakhstan", "Accumulated pension fund GRANTUM" (subsidiary of Kazkommertsbank) and "Accumulated pension fund "Ular Umit" under state ownership and transfer them to the Single Pension Fund. The announced deadline for the completion of this exercise is the 4th quarter 2013. At the date of issue of this interim condensed consolidated financial information the Management of the Group cannot assess the future implications for the Bank and for the Group as a whole.