JSC HALYK BANK

Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2016

JSC HALYK BANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2016, the results of its operations for the three and six months then ended, and cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2016 was authorized for issue by the Management Board on 15 August 2016.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairperson of the Board	**Chief Accountant**
15 August 2016	15 August 2016
Almaty, Kazakhstan	Almaty, Kazakhstan

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INDEPENDENT AUDITOR'S 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 2016 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 "Interim Financial Reporting" ("IAS 34"). 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 "Interim Financial Reporting".

Deloitte, LLP

15 August 2016
Almaty, Kazakhstan

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents	5	1,520,372	1,404,680
Obligatory reserves	6	76,854	68,389
Financial assets at fair value through profit or loss	7	484,900	177,070
Amounts due from credit institutions	8	41,443	44,993
Available-for-sale investment securities	9	357,168	378,520
Held to maturity investments	10	42,165	-
Precious metals		2,969	2,436
Loans to customers	11, 32	2,160,638	2,176,069
Investment property		27,417	24,658
Commercial property		10,626	9,632
Property and equipment		92,832	82,462
Assets held-for-sale		11,603	11,405
Goodwill		4,954	4,954
Intangible assets		8,387	8,659
Current income tax assets	18	2,434	16,469
Deferred income tax assets	18	928	1,919
Insurance assets	12	31,044	23,857
Other assets	13	21,525	18,766
TOTAL ASSETS		4,898,259	4,454,938
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	14, 32	3,437,485	3,043,731
Amounts due to credit institutions	15	149,981	168,258
Financial liabilities at fair value through profit or loss	7	450	5,593
Debt securities issued	16	593,894	597,525
Provisions	17	956	982
Current income tax liability	18	6,858	379
Deferred tax liability	18	35,651	37,362
Insurance liabilities	12	62,767	50,983
Other liabilities	19	22,301	20,197
Total liabilities		4,310,343	3,925,010
EQUITY			
Share capital	20	143,695	143,695
Share premium reserve		1,946	2,039
Treasury shares		(103,142)	(103,175)
Retained earnings and other reserves		545,417	487,369
Total equity		587,916	529,928
TOTAL LIABILITIES AND EQUITY		4,898,259	4,454,938

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 August 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2016
Almaty, Kazakhstan

The notes on pages 10 to 48 form an integral part of this interim condensed consolidated financial information.

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

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

	Notes	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Interest income	22, 32	88,401	60,621	167,529	118,286
Interest expense	22, 32	(41,722)	(21,807)	(83,683)	(42,797)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	22	46,679	38,814	83,846	75,489
Impairment charge	17	(6,194)	(3,287)	(10,698)	(1,625)
NET INTEREST INCOME		40,485	35,527	73,148	73,864
Fee and commission income	23	14,885	13,446	28,341	25,516
Fee and commission expense		(3,281)	(2,594)	(6,484)	(4,765)
Fees and commissions, net		11,604	10,852	21,857	20,751
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	24	(7,573)	(831)	(4,579)	267
Net realized gain/(loss) from available-for-sale investment securities		798	(97)	1,025	(1,301)
Net foreign exchange gain	25	8,316	4,012	7,873	3,776
Insurance underwriting income	26	7,450	5,957	12,335	11,165
Other income		1,831	1,052	2,761	1,970
OTHER NON-INTEREST INCOME		10,822	10,093	19,415	15,877
Operating expenses	27	(16,623)	(15,577)	(34,181)	(31,585)
Provisions	17	150	51	40	2
Insurance claims incurred, net of reinsurance	26	(6,386)	(5,833)	(11,195)	(10,336)
NON-INTEREST EXPENSES		(22,859)	(21,359)	(45,336)	(41,919)
INCOME BEFORE INCOME TAX EXPENSE		40,052	35,113	69,084	68,573
Income tax expense	18	(5,839)	(6,808)	(11,947)	(13,296)
NET INCOME		34,213	28,305	57,137	55,277
Attributable to:					
Preferred shareholders		-	455	-	912
Common shareholders		34,213	27,850	57,137	54,365
		34,213	28,305	57,137	55,277
Basic earnings per share (in Kazakhstani Tenge)	28	3.10	2.36	5.20	4.83
Diluted earnings per share (in Kazakhstani Tenge)	28	3.10	1.66	5.19	4.07

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 August 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2016
Almaty, Kazakhstan

The notes on pages 10 to 48 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Net income	34,213	28,305	57,137	55,277
Other comprehensive income:				
Items that will not to be subsequently reclassified to profit or loss:				
(Loss)/gain on revaluation of property (net of tax – KZT Nil)	(26)	12	(209)	(18)
Items that may be subsequently reclassified to profit or loss:				
Gain on revaluation of available-for-sale investment securities (net of tax – KZT Nil)	8,304	4,071	322	2,322
Reclassification adjustment relating to available-for-sale investment securities impaired during the period (net of tax – KZT Nil)	(143)	762	318	801
Reclassification adjustment relating to available-for-sale investment securities disposed of in the period (net of tax – KZT Nil)	(798)	97	(1,025)	1,301
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	215	298	1,838	(467)
Other comprehensive income for the period	7,552	5,240	1,244	3,939
Total comprehensive income for the period	41,765	33,545	58,381	59,216
Attributable to:				
Common shareholders	41,765	33,006	58,381	58,240
Preferred shareholders	-	539	-	976
Total comprehensive income	41,765	33,545	58,381	59,216

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 August 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2016
Almaty, Kazakhstan

The notes on pages 10 to 48 form an integral part of this interim condensed consolidated financial information

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)
(Millions of Kazakhstani Tenge)

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2015 (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 equity
31 December 2014	83,571	46,891	13,233	1,439	(39,973)	(39,021)	(845)	(9,292)	17,341	401,877	475,221
Net income	-	-	-	-	-	-	-	-	-	55,277	55,277
Other comprehensive (loss)/income	-	-	-	-	-	-	(467)	4,424	(18)	-	3,939
Total comprehensive (loss)/ income	-	-	-	-	-	-	(467)	4,424	(18)	55,277	59,216
Treasury shares purchased	-	-	-	(187)	(5)	(22,982)	-	-	-	-	(23,174)
Treasury shares sold	-	-	-	823	6	-		-	-	-	829
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(2,543)	(2,543)
Dividends –common shares	-	-	-	-	-	-	-	-	-	(34,258)	(34,258)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(382)	382	-
30 June 2015 (unaudited)	83,571	46,891	13,233	2,075	(39,972)	(62,003)	(1,312)	(4,868)	16,941	420,735	475,291

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 August 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2016
Almaty, Kazakhstan

The notes on pages 10 to 48 form an integral part of this interim condensed consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)
(Millions of Kazakhstani Tenge)

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from cash equivalents and amounts due from credit institutions	9,081	1,398
Interest received from financial assets at fair value through profit or loss	7,623	44
Interest received on available-for-sale investment securities	12,941	8,502
Interest received on held to maturity investments	641	-
Interest received from loans to customers	120,620	97,366
Interest paid on due to customers	(57,125)	(26,366)
Interest paid on due to credit institutions	(4,102)	(2,705)
Interest paid on debt securities issued	(23,215)	(11,557)
Fee and commission received	25,669	25,201
Fee and commission paid	(6,484)	(4,765)
Insurance underwriting income received	6,834	14,634
Ceded insurance share paid	(3,027)	(1,546)
(Payment for)/receipts from derivative operations	(6,137)	445
Other income received	2,761	1,004
Operating expenses paid	(25,570)	(29,398)
Insurance reimbursements paid	(7,911)	(7,803)
Cash flows from operating activities before changes in net operating assets	52,599	64,454
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(8,465)	6,935
Financial assets at fair value through profit or loss	(306,249)	4,172
Amounts due from credit institutions	2,570	(18,800)
Precious metals	41	(68)
Loans to customers	15,397	(94,164)
Assets held-for-sale	(198)	19
Insurance assets	(5,455)	(8,421)
Other assets	(1,861)	(5,120)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	392,348	(9,606)
Amounts due to credit institutions	(16,826)	11,665
Financial liabilities at fair value through profit or loss	(5,137)	(2,614)
Insurance liabilities	14,647	9,063
Other liabilities	6,569	(1,965)
Net cash inflow/(outflow) from operating activities before income tax	139,980	(44,450)
Income tax received/(paid)	7,544	(13,446)
Net cash inflow/(outflow) from operating activities	147,524	(57,896)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of available-for-sale investment securities	46,526	95,834
Purchase of available-for-sale investment securities	(27,672)	(10,174)
Purchase and prepayment for property and equipment and intangible assets	(18,285)	(16,045)
Proceeds on sale of property and equipment	9,621	475
Purchase of held to maturity investments	(43,601)	-
Proceeds from maturity of held to maturity investments	1,996	-
Net cash (outflow)/inflow from investing activities	(31,415)	70,090

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)
(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of compensation for exchange of preferred shares to common shares		(96)	-
Proceeds on sale of treasury shares		242	829
Purchase of treasury shares		(206)	(23,174)
Dividends paid – preferred shares		(333)	(2,543)
Dividends paid – common shares		-	(34,258)
Redemption and repayment of debt securities issued		(21,887)	-
Proceeds from debt securities issued		16,983	122,406
Net cash (outflow)/inflow from financing activities		(5,297)	63,260
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		4,880	4,359
Net change in cash and cash equivalents		115,692	79,813
CASH AND CASH EQUIVALENTS, beginning of the period	5	1,404,680	540,537
CASH AND CASH EQUIVALENTS, end of the period	5	1,520,372	620,350

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 August 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2016
Almaty, Kazakhstan

The notes on pages 10 to 48 form an integral part of this interim condensed consolidated financial information.

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of the Republic 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 National Bank of the Republic of Kazakhstan ("the NBRK") 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 loans and guarantees origination, deposits collection, securities and foreign currencies trading, money transfers, cash and payment card operations, as well as other banking services rendered to the Bank's customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channelling various budgetary payments and pensions through its nationwide branch network.

The Bank's securities are primary listed on the Kazakhstan Stock Exchange ("KASE"), and the Bank's Global Depository Receipts ("GDRs") and Eurobonds are primary listed on the London Stock Exchange.

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

Legal proceedings

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

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, 2015 and then in the first half of 2016, the oil price decreased significantly, which led to significant decrease in national export revenue. On 20 August 2015, the Government and the NBRK announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first half of 2016 the Tenge depreciated significantly against major foreign currencies.

The Management of the Group is monitoring current developments in the economy and taking measures, it deems necessary to support sustainability and development of the Group's business in the foreseeable future. However, at this stage, it is difficult to determine the impact of further economic developments on future operations and financial position of the Group.

As at 30 June 2016 and 31 December 2015, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	30 June 2016 (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	8,086,451,772	73.6%	8,086,451,772	73.6%	-	-
JSC Single accumulative pension fund	716,281,746	6.5%	716,281,746	6.5%	-	-
GDR	1,839,978,240	16.7%	1,839,978,240	16.7%	-	-
Other	350,768,431	3.2%	350,768,431	3.2%	-	-
Total shares in circulation (on consolidated basis)	**10,993,480,189**	**100%**	**10,993,480,189**	**100%**	**-**	**-**

	31 December 2015					
	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	73.4%	8,003,381,500	73.4%	20,767,568	99.8%
JSC Single accumulative pension fund	716,281,746	6.6%	716,281,746	6.5%	-	-
GDR	1,840,058,240	16.8%	1,840,058,240	16.9%	-	-
Other	349,774,984	3.2%	349,729,065	3.2%	45,919	0.2%
Total shares in circulation (on consolidated basis)	**10,930,264,038**	**100%**	**10,909,450,551**	**100%**	**20,813,487**	**100%**

As at 30 June 2016 , the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 367 cash settlement units (31 December 2015 – 22, 122 and 377, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai Avenue, Almaty, 050008, Republic Kazakhstan.

As at 30 June 2016, the number of the Group's full-time employees was 11,385 (31 December 2015 -11,827).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2016 was authorized for issue by the Management Board on 15 August 2016.

2. BASIS OF PRESENTATION

Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2015 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 2015 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 2015 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiary	Holding, %		Country	Industry
	30 June 2016 (unaudited)	31 December 2015		
Halyk-Leasing JSC	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
Halyk Finance JSC	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
Kazakhinstrakh JSC	100	100	Kazakhstan	Insurance
OJSC NBK-Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Altyn Bank (SB of JSC Halyk Bank)	100	100	Kazakhstan	Banking

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim condensed consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2015. There were no changes in accounting policies during six months ended 30 June 2016.

4. SIGNIFICANT ACCOUNTING ESTIMATES

In preparing this interim condensed consolidated financial information, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2015 prepared in accordance with IFRS.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 June 2016 (unaudited)	31 December 2015
Cash on hand	109,933	118,891
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	122,633	116,478
Short-term deposits with OECD based banks	-	125,808
Overnight deposits with OECD based banks	67,733	-
Correspondent accounts with NBRK	1,113,258	1,019,059
Short-term deposits with NBRK	65,025	-
Short-term deposits with Kazakhstan banks (including loans under reverse repurchase agreements)	22,146	11,518
Correspondent accounts with non-OECD based banks	15,817	12,206
Short-term deposits with non-OECD based banks	3,827	720
	1,520,372	1,404,680

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

	30 June 2016 (unaudited)		31 December 2015	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	-	-	0.3%-0.9%
Overnight deposits with OECD based banks	-	0.4%-0.8%	-	-
Short-term deposits with NBRK	14.0%	-	-	-
Short-term deposits with Kazakhstan banks	10.0%-15.0%	-	10%-150%	0.3%-2.5%
Short-term deposits with non-OECD based bank	-	3.5%-7.0%	-	3.0%-4.0%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 (unaudited)		31 December 2015	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of the Republic Kazakhstan	21,002	23,460	8,320	10,012
Notes of NBRK	1,000	1,053	-	-
	22,002	24,513	8,320	10,012

As at 30 June 2016 and 31 December 2015, maturities of loans under reverse repurchase agreements were less than one month.

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 June 2016 (unaudited)	31 December 2015
Recorded as loans and receivables in accordance with IAS 39:		
Cash and due from banks allocated to obligatory reserves	76,854	68,389

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan and Georgia and the Central Bank of Russian Federation. As at 30 June 2016, obligatory reserves of the Bank's subsidiaries - JSC Altyn Bank, OJSC Halyk Bank Kyrgyzstan, OJSC NBK-Bank and JSC Halyk Bank Georgia comprised KZT 12,604 million (31 December 2015 – KZT 9,340 million).

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

Financial assets at fair value through profit or loss comprise:

	30 June 2016 (unaudited)	31 December 2015
Financial assets held for trading:		
Notes of NBRK	325,977	-
Derivative financial instruments	155,868	175,313
Treasury bills of Poland	1,566	-
Corporate bonds	848	909
Bonds of JSC Development Bank of Kazakhstan	211	199
Bonds of Kazakhstan banks	199	293
Bonds of foreign organizations	102	124
Equity securities of Kazakhstan corporations	79	106
Equity securities of foreign organizations	50	78
Equity securities of Kazakhstan banks	-	48
	484,900	177,070

Financial liabilities at fair value through profit or loss comprise:

	30 June 2016 (unaudited)	31 December 2015
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	450	5,593

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

	30 June 2016 (unaudited) Interest rate, %	31 December 2015 Interest rate, %
Notes of NBRK	14.4%	-
Treasury bills of Poland	2.1%	-
Corporate bonds	6.5%	6.6%
Bonds of JSC Development Bank of Kazakhstan	5.9%	5.3%
Bonds of Kazakhstan banks	9.5%	10.5%
Bonds of foreign organizations	7.0%	6.3%

Derivative financial instruments comprise:

	30 June 2016 (unaudited)			31 December 2015		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts:						
Swaps	400,712	155,614	381	454,075	175,308	1,043
Forwards	14,699	233	63	14,546	-	4,285
Spots	11,299	21	6	28,627	5	265
		155,868	450		175,313	5,593

As at 30 June 2016 and 31 December 2015, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2016 (unaudited)	31 December 2015
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	25,634	25,584
Loans to credit institutions	10,730	14,307
Deposit pledged as collateral for derivative financial instruments	5,079	5,109
	41,443	45,000
Less – Allowance for impairment (Note 17)	-	(7)
	41,443	44,993

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

	30 June 2016 (unaudited)		31 December 2015	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Term deposits	1.0%-18.0%	2016-2017	1.0%-27.0%	2016-2017
Loans to credit institutions	8.2%	2017	8.2%	2017
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2016	0.2%-1.8%	2016

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 June 2016 (unaudited)	31 December 2015
Corporate bonds	134,601	141,428
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	86,067	165,040
Notes of NBRK	69,733	-
Bonds of JSC Development Bank of Kazakhstan	38,002	35,976
Bonds of Kazakhstan banks	12,426	17,606
Bonds of foreign organizations	10,889	9,336
Equity securities of Kazakhstan corporations	3,065	3,024
Equity securities of foreign corporations	1,597	2,140
Treasury bills of the Russian Federation	788	653
Treasury bills of Georgia	-	2,755
Notes of National Bank of Kyrgyz Republic	-	354
Treasury bills of the Kyrgyz Republic	-	208
	357,168	378,520

As at 30 June 2016 and 31 December 2015, available-for-sale investment securities included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 176 million and KZT 51,763 million, respectively, which were pledged under repurchase agreements with other banks (see Note 15).

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 2016 (unaudited)		31 December 2015	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Corporate bonds	5.8%	2016-2029	6.9%	2016-2029
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5.8%	2016-2031	5.6%	2016-2045
Notes of NBRK	15%	2016	-	-
Bonds of JSC Development Bank of Kazakhstan	4.5%	2022-2026	4.5%	2022-2026
Bonds of Kazakhstan banks	11.1%	2016-2049	12.1%	2016-2049
Bonds of foreign organizations	4.6%	2016-2022	5.0%	2016-2022
Treasury bills of the Russian Federation	8.1%	2021	9.8%	2021
Treasury bills of Georgia	-	-	10.1%	2016-2024
Notes of National Bank of Kyrgyz Republic	-	-	10.5%	2016
Treasury bills of the Kyrgyz Republic	-	-	12.4%	2016

10. HELD TO MATURITY INVESTMENTS

Held to maturity investments comprise:

	30 June 2016 (unaudited)	31 December 2015
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	37,702	-
Notes of National Bank of Georgia	2,578	-
Securities of foreign organizations	804	-
Treasury bills of the Kyrgyz Republic	543	-
Bonds of Kazakhstan banks	386	-
Corporate bonds	152	-
	42,165	-

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

	30 June 2016 (unaudited)		31 December 2015	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4.9%	2024-2045	-	-
Notes of National Bank of Georgia	10.7%	2016-2024	-	-
Bonds of foreign organizations	8.2%	2016-2020	-	-
Treasury bills of the Kyrgyz Republic	11.2%	2016-2017	-	-
Bonds of Kazakhstan banks	11.0%	2016-2022	-	-
Corporate bonds	7.5%	2017-2029	-	-

The Group did not classify any financial assets as held to maturity investments for two financial years after selling a substantial part of its held to maturity investments in 2013. Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. As at 30 June 2016, the Group had positive intent and ability to hold them to maturity. However, subsequently the Group has taken the decision to reclassify its held to maturity investments into available-for-sale investment securities (see Note 33).

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2016 (unaudited)	31 December 2015
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	2,458,552	2,477,685
Overdrafts	2,603	3,498
	2,461,155	2,481,183
Less – Allowance for loan impairment losses (Note 17)	(300,517)	(305,114)
Loans to customers	2,160,638	2,176,069

Weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the six months ended 30 June 2016 average interest rate on loans was 12.9% (for the year ended 31 December 2015 –12.5%).

As at 30 June 2016, the Group's loan concentration to the ten largest borrowers was KZT 515,310 million, which comprised 21% of the Group's total gross loan portfolio (as at 31 December 2015 – KZT 524,728 million; 21%) and 88% of the Group's total equity (as at 31 December 2015 – 99%).

As at 30 June 2016, the allowance for loan impairment losses created against these loans was KZT 60,809 million (as at 31 December 2015 – KZT 60,784 million).

As at 30 June 2016 and 31 December 2015, loans were extended to customers operating in the following sectors:

	30 June 2016 (unaudited)	**%**	**31 December 2015**	**Share**
Retail loans:				
- consumer loans	417,750	17%	407,905	16%
- mortgage loans	193,965	8%	197,165	8%
	611,715		605,070	
Services	393,981	16%	394,027	16%
Wholesale trade	347,746	14%	442,797	18%
Construction	191,815	8%	168,393	7%
Retail trade	147,080	6%	150,353	6%
Real estate	144,153	6%	157,413	6%
Agriculture	115,232	5%	118,948	5%
Mining	74,299	3%	54,936	2%
Transportation	70,849	3%	59,415	2%
Communication	60,431	3%	60,483	2%
Energy	57,953	2%	28,628	1%
Financial services	52,421	2%	39,394	2%
Oil and gas	34,826	1%	36,777	2%
Hotel industry	33,115	1%	32,581	1%
Food industry	31,562	1%	31,897	1%
Metallurgy	23,717	1%	25,610	1%
Chemical industry	21,366	1%	14,678	1%
Machinery	15,654	1%	15,499	1%
Light industry	7,459	0%	7,004	0%
Other	25,781	1%	37,280	2%
	2,461,155	100%	2,481,183	100%

As at 30 June 2016, accrued interest on loans comprised KZT 141,911 million (as at 31 December 2015 – KZT 138,495 million).

As at 30 June 2016 and 31 December 2015 loans to customers included loans of KZT 205,820 million and KZT 188,582 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 June 2016 (unaudited)	31 December 2015
Unearned reinsurance premium	15,886	12,859
Reinsurance amounts	1,987	1,556
	17,873	14,415
Premiums receivable	13,171	9,442
Insurance assets	31,044	23,857

Insurance liabilities comprised the following:

	30 June 2016 (unaudited)	31 December 2015
Reserves for insurance claims	28,511	24,797
Gross unearned insurance premium reserve	24,543	19,043
	53,054	43,840
Payables to reinsurers and agents	9,713	7,143
Insurance liabilities	62,767	50,983

13. OTHER ASSETS

Other assets comprise:

	30 June 2016 (unaudited)	31 December 2015
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	9,189	8,171
Accrued commission income	3,478	806
Debtors on non-banking activities	1,439	1,802
Others	30	15
	14,136	10,794
Less – Allowance for impairment (Note 17)	(4,608)	(4,568)
	9,528	6,226
Other non-financial assets:		
Prepayments for property and equipment	5,211	7,601
Advances for taxes other than income tax	1,550	753
Inventory	1,453	1,039
Investments in associates	267	65
Others	3,516	3,082
	11,997	12,540
	21,525	18,766

14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 June 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Term deposits:		
Individuals	1,300,770	1,276,609
Legal entities	1,052,678	868,833
	2,323,448	2,145,442
Current accounts:		
Legal entities	851,374	701,468
Individuals	232,663	196,821
	1,084,037	898,289
	3,437,485	3,043,731

As at 30 June 2016, the ten largest groups of related customers accounted for approximately 34% of the total amounts due to customers (31 December 2015 – 28%), where each group of related customers represents customers related to each other within that group.

As at 30 June 2016 and 31 December 2015, term deposits from legal entities included a deposit from JSC The Fund of Problem Loans for KZT 28,600 million. The deposit was placed for 20 years till 2025 at 2.99% per annum. Under the terms of the deposit agreement, the Group is responsible to use deposit funds for refinancing of residential mortgage loans of its borrowers at 3.0% per annum within the framework of Government Mortgage and Residential Mortgage Refinancing Program.

The Management of the Group believes that there are no other similar financial instruments and due to its specific nature, refinancing of residential mortgage loans represent a separate segment in the Group's retail business. As a result, these deposit and related loans were orderly transactions, and as such have been recorded at fair value at the recognition date.

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

Customer accounts by sectors were as follows:

	30 June 2016 (unaudited)	Share	31 December 2015	Share
Individuals and entrepreneurs	1,533,433	45%	1,473,430	48%
Oil and gas	823,904	24%	604,738	20%
Financial sector	233,779	7%	112,462	4%
Transportation	164,235	4%	131,926	4%
Wholesale trade	101,861	3%	151,395	5%
Other consumer services	99,939	3%	142,768	5%
Metallurgy	61,976	2%	48,406	1%
Healthcare and social services	58,501	2%	65,434	2%
Construction	55,722	2%	82,841	3%
Communication	54,296	1%	15,714	1%
Government	28,791	1%	20,309	1%
Energy	24,840	1%	45,280	1%
Education	24,263	1%	23,547	1%
Insurance and pension funds activity	12,872	0%	8,368	0%
Other	159,073	4%	117,113	4%
	3,437,485	100%	3,043,731	100%

15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Loans from JSC National Managing Holding KazAgro	40,745	41,866
Loans from JSC Entrepreneurship Development Fund DAMU	35,446	32,882
Loans from JSC Development Bank of Kazakhstan	22,384	19,365
Correspondent accounts	19,175	8,420
Loans and deposits from Kazakhstan banks	12,494	53,945
Overnight deposits	10,203	3,005
Loans and deposits from OECD based banks	6,436	6,976
Loans from other financial institutions	2,239	1,791
Loans and deposits from non-OECD based banks	859	8
	149,981	168,258

As at 30 June 2016, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 40,691 million (31 December 2015 - KZT 41,810 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

As at 30 June 2016, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 35,270 million (31 December 2015 – KZT 32,721 million) at 2.0% interest rate maturing in 2034 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

As at 30 June 2016, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 16,000 million (31 December 2015 – KZT 16,000 million) at 2.0% interest rate maturing in 2034-2035 to finance corporate enterprises operating in manufacturing industries, as well as long-term loan of KZT 6,300 million (31 December 2015 – KZT 3,300 million) at 1% interest rate maturing in 2035 to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

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

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

	30 June 2016 (unaudited)		31 December 2015	
	Interest Rate	Maturity, year	Interest Rate	Maturity, year
Loans from JSC National Managing Holding KazAgro	3.0%	2019-2022	3.0%	2019-2022
Loans from JSC Entrepreneurship Development Fund DAMU	2.0%	2016-2035	2.0%	2016-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2016-2035	1.0%-2.0%	2016-2035
Loans and deposits from Kazakhstan banks	0.5%-12.0%	2016	3.2%-11.4%	2016
Overnight deposits	13.0%	2016	60.0%	2016
Loans and deposits from OECD based banks	2.3%-6.5%	2016-2023	1.1%-6.5%	2016-2023
Loans from other financial institutions	5.4%-10.0%	2016-2023	4.8%-6.2%	2016
Loans and deposits from non-OECD based banks	10.0%	2016	0.7%-7.0%	2016-2017

Fair value of assets pledged and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 (unaudited)		31 December 2015	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	176	164	51,763	45,242

Details of transferred financial assets that are not derecognized in their entirety as at 30 June 2016 and 31 December 2015 are disclosed below.

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

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

	Investments available-for-sale (Note 9)
As at 30 June 2016 (unaudited):	
Carrying amount of transferred assets	176
Carrying amount of associated liabilities	164
As at 31 December 2015:	
Carrying amount of transferred assets	51,763
Carrying amount of associated liabilities	45,242

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 2016 and 31 December 2015, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

16. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 June 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	4,985	4,989
Reverse inflation indexed KZT denominated bonds	-	4,051
Total subordinated debt securities outstanding	4,985	9,040
Unsubordinated debt securities issued:		
USD denominated bonds	363,801	363,829
KZT denominated bonds	225,108	224,656
Total unsubordinated debt securities outstanding	588,909	588,485
Total debt securities issued	593,894	597,525

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

	30 June 2016 (unaudited)		31 December 2015	
	Coupon rate	Maturity, year	Coupon Rate	Maturity, year
Subordinated debt securities issued:				
Fixed rate KZT denominated bonds	13%	2018	13%	2018
Reverse inflation indexed KZT denominated bonds	-	-	15% less inflation rate	2016
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%	2017-2021	7.3%	2017-2021
KZT denominated bonds	7.5%	2024-2025	7.5%	2024-2025

As at 30 June 2016, accrued interest on debt securities issued was KZT 11,979 million (as at 31 December 2015 – KZT 11,990 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in the 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 2016 and 31 December 2015 the Group was in compliance with the covenants of the agreements that 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 (Note 11)	**Amounts due from credit institutions (Note 8)**	**Available-for-sale investment securities**	**Other assets (Note 13)**	**Total**
31 March 2016 (unaudited)	(308,364)	-	(5,745)	(4,515)	(318,624)
Additional provisions recognized	(35,007)	-	(133)	(1,509)	(36,649)
Recovery of provision	28,882	-	276	1,297	30,455
Write-offs	12,495	-	630	31	13,156
Foreign exchange differences	1,477	-	5	88	1,570
30 June 2016 (unaudited)	(300,517)	-	(4,967)	(4,608)	(310,092)
31 March 2015 (unaudited)	(280,452)	-	(1,902)	(4,323)	(286,677)
Additional provisions recognized	(27,380)	(5)	(1,779)	(2,089)	(31,253)
Recovery of provision	26,172	-	25	1,769	27,966
Write-offs	888	-	531	-	1,419
Foreign exchange differences	(266)	-	39	14	(213)
30 June 2015 (unaudited)	(281,038)	(5)	(3,086)	(4,629)	(288,758)
31 December 2015	(305,114)	(7)	(5,516)	(4,568)	(315,205)
Additional provisions recognized	(64,707)	-	(655)	(3,044)	(68,406)
Recovery of provision	54,485	7	337	2,879	57,708
Write-offs	14,585	-	866	48	15,499
Foreign exchange differences	234	-	1	77	312
30 June 2016 (unaudited)	(300,517)	-	(4,967)	(4,608)	(310,092)
31 December 2014	(286,018)	-	(1,867)	(4,297)	(292,182)
Additional provisions recognized	(60,012)	(5)	(1,818)	(3,940)	(65,775)
Recovery of provision	60,466	-	25	3,659	64,150
Write-offs	7,030	-	535	-	7,565
Foreign exchange differences	(2,504)	-	39	(51)	(2,516)
30 June 2015 (unaudited)	(281,038)	(5)	(3,086)	(4,629)	(288,758)

During the six months ended 30 June 2016 and 2015, the Group has written off loans of KZT 14,585 million and KZT 7,030 million, respectively, without being considered forgiveness of the loan, therefore for tax purposes such write-offs are not subject to corporate income tax.

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

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
At the beginning of the period	(1,132)	(419)	(982)	(407)
Additional provisions recognized	(41)	(178)	(265)	(271)
Recovery of provisions	191	229	305	273
Foreign exchange differences	26	(19)	(14)	18
At the end of the period	(956)	(387)	(956)	(387)

18. TAXATION

The Bank and its subsidiaries, except OJSC NBK-Bank, OJSC Halyk Bank Kyrgyzstan and JSC Halyk Bank Georgia , which operate abroad, are subject to taxation in Kazakhstan. OJSC NBK-Bank is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Current tax charge	5,859	6,669	12,667	13,645
Deferred tax (benefit)/expense relating to origination and reversal of temporary differences	(20)	139	(720)	(349)
Income tax expense	5,839	6,808	11,947	13,296

Deferred tax assets and liabilities comprise:

	30 June 2016 (unaudited)	31 December 2015
Tax effect of deductible temporary differences:		
Tax loss carry forward	3,531	3,531
Bonuses accrued	1,143	1,936
Fair value of derivatives	571	1,305
Vacation pay accrual	365	349
Other	359	113
Deferred tax asset	5,969	7,234
Tax effect of taxable temporary differences:		
Fair value of derivatives and available-for-sale investment securities	(28,474)	(31,260)
Property and equipment, accrued depreciation	(7,532)	(5,054)
Allowance for loans to customers	(4,367)	(3,966)
Core deposit intangible	(304)	(348)
Other	(15)	(2,049)
Deferred tax liability	(40,692)	(42,677)
Net deferred tax liability	(34,723)	(35,443)

Current income tax assets/(liabilities) comprise:

	30 June 2016 (unaudited)	31 December 2015
Current income tax assets	2,434	16,469
Current income tax liabilities	(6,858)	(379)
Current income tax (liability)/asset	(4,424)	16,090

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

	30 June 2016 (unaudited)	31 December 2015
Deferred tax asset	928	1,919
Deferred tax liability	(35,651)	(37,362)
Net deferred tax liability	(34,723)	(35,443)

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

19. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2016 (unaudited)	31 December 2015
Other financial liabilities:		
Salary payable	8,383	10,790
Payable for general and administrative expenses	1,440	779
Creditors on non-banking activities	1,360	299
Creditors on bank activities	1,310	488
Others	1,140	375
	13,633	12,731
Other non-financial liabilities:		
Creditors on commercial property	4,050	4,050
Advances received	2,584	1,233
Taxes payable other than income tax	2,034	2,183
	8,668	7,466
	22,301	20,197

20. EQUITY

Authorized, issued and fully paid number of shares as at 30 June 2016 and 2015 were as follows:

30 June 2016 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	25,000,000,000	(12,311,142,941)	12,688,857,059	(1,695,376,870)	10,993,480,189

30 June 2015 (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	(218,073,926)	10,910,444,525
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(289,415,467)	20,443,963
Convertible preferred shares	80,225,222	-	80,225,222	(71,297,168)	8,928,054

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2015	10,909,450,551	20,443,932	369,555	43,597	(5,154)	2,077
Purchases of treasury shares	(5,780,591)	-	-	(206)	-	-
Sale of treasury shares	5,256,437	-	-	239	-	-
Exchange of preferred shares to common shares	84,553,792	(20,443,932)	(369,555)	(3,077)	5,154	(2,077)
30 June 2016 (unaudited)	10,993,480,189	-	-	40,553	-	-
31 December 2014	10,909,898,713	109,300,945	79,861,400	43,598	7,870	13,233
Purchases of treasury shares	(5,269,780)	(93,050,813)	(71,182,077)	(5)	(13,024)	(9,958)
Sale of treasury shares	5,815,592	4,193,831	248,731	6	-	-
30 June 2015 (unaudited)	10,910,444,525	20,443,963	8,928,054	43,599	(5,154)	3,275

On 22 April 2016, the General Shareholders meeting of JSC Halyk Bank (the Bank) decided to exchange the non-convertible preferred shares and convertible preferred shares for the common shares of the Group. The exchange has been performed on terms and conditions approved by the above mentioned General Shareholders Meeting, as well as in accordance with the Bank's Charter and changes to the Bank's Common Share Issuance Prospectus registered by the NBRK on 16 May 2016. The exchange aimed to optimise the Group's capital structure within the framework of the current Kazakh legislation.

Common shares

At 30 June 2016, the Group held 1,695,376,870 of the Group's common shares as treasury shares at KZT 103,142 million (30 June 2015 – 218,073,926 shares at KZT 39,972 million).

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

Share premium reserve

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

21. COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies

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

	30 June 2016 (unaudited)	31 December 2015
Guarantees issued	187,000	186,306
Commitments to extend credit	38,030	35,178
Commercial letters of credit	16,520	17,064
Financial commitments and contingencies	241,550	238,548
Less: cash collateral against letters of credit	(13,200)	(18,675)
Less: provisions (Note 17)	(956)	(982)
Financial commitments and contingencies, net	227,394	218,891

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 30 June 2016, the ten largest guarantees accounted for 73% of the Group's total financial guarantees (as at 31 December 2015 – 74%) and represented 23% of the Group's total equity (as at 31 December 2015 – 26%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients and under which as at the reporting date, the payment has not yet been made. As at 30 June 2016, the ten largest uncovered letters of credit accounted for 92% of the Group's total commercial letters of credit (31 December 2015 – 93%) and represented 3% of the Group's total equity (31 December 2015 – 3%).

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

Capital commitments

As at 30 June 2016 and 31 December 2015, the Group's capital expenditure commitments for construction in progress were KZT 1,353 million and KZT 7,861 million, respectively.

Operating lease commitments

There were no material operating lease commitments under operating leases outstanding as at 30 June 2016 and 31 December 2015.

22. NET INTEREST INCOME

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on individually assessed unimpaired assets	37,266	25,794	74,503	49,499
- interest income on collectively assessed assets	29,389	23,795	57,934	46,578
- interest income on individually assessed impaired assets	7,211	6,139	14,120	11,997
Interest income on available-for-sale investment securities	6,271	4,874	12,118	10,148
Interest income on held to maturity investments	637	-	1,201	-
Interest income on financial assets at fair value through profit or loss	7,627	19	7,653	64
Total interest income	88,401	60,621	167,529	118,286
Interest income on financial assets recorded at amortized cost:				
Interest income on loans to customers	69,170	54,691	138,437	106,427
Interest income on amounts due from credit institutions and cash and cash equivalents	4,696	1,037	8,120	1,647
Interest income on held to maturity investments	637	-	1,201	-
Total interest income on financial assets recorded at amortized cost	74,503	55,728	147,758	108,074
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	7,627	19	7,653	64
Total interest income on financial assets at fair value through profit or loss	7,627	19	7,653	64
Interest income on available-for-sale investment securities	6,271	4,874	12,118	10,148
Total interest income	88,401	60,621	167,529	118,286
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(41,722)	(21,807)	(83,683)	(42,797)
Total interest expense	(41,722)	(21,807)	(83,683)	(42,797)
Interest expense on financial liabilities recorded at amortized cost:				
Interest expense on amounts due to customers	(29,167)	(12,952)	(56,379)	(25,924)
Interest expense on debt securities issued	(11,331)	(7,813)	(23,121)	(14,270)
Interest expense on amounts due to credit institutions	(1,224)	(1,042)	(4,183)	(2,603)
Total interest expense on financial liabilities recorded at amortized cost	(41,722)	(21,807)	(83,683)	(42,797)
Net interest income before impairment charge	46,679	38,814	83,846	75,489

During the three months ended 30 June 2016, the Bank identified a timing difference in its interest income recognition when receiving early partial loan repayments. As a result, KZT 5,867 million of interest income on loans to customers was not recognised in the condensed consolidated statement of profit or loss in the interim condensed consolidated financial information for the three months ended 31 March 2016 as previously reported. The interest income and results for the three and six months ended 30 June 2016 in this interim condensed consolidated financial information have been presented as if the KZT 5,867 million had been recognised in interest income for the three months ended 31 March 2016.

23. FEES AND COMMISSIONS

Fees and commissions derived from the following sources:

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Bank transfers - settlements	3,900	3,531	7,270	6,720
Payment cards maintenance	2,788	2,330	5,362	4,525
Cash operations	2,526	2,265	4,716	4,224
Bank transfers - salary projects	1,849	1,824	3,535	3,439
Customers' pension payments service	1,734	1,462	3,415	2,885
Letters of credit and guarantees issued	993	776	1,999	1,539
Customer accounts maintenance	548	392	988	768
Other	547	866	1,056	1,416
	14,885	13,446	28,341	25,516

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

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

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:				
Unrealized net (loss)/gain on trading and derivative operations	(2,620)	(747)	1,428	(129)
Realized net gain/(loss) on trading operations	92	6	130	(49)
Realized net (loss)/gain on derivative operations	(5,045)	(90)	(6,137)	445
Total net (loss)/gain on operations with financial assets and liabilities classified as held for trading	(7,573)	(831)	(4,579)	267

25. NET FOREIGN EXCHANGE GAIN

Net foreign exchange gain comprises:

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Dealing, net	1,985	4,009	6,041	8,021
Translation differences, net	6,331	3	1,832	(4,245)
Net foreign exchange gain	8,316	4,012	7,873	3,776

26. INSURANCE UNDERWRITING INCOME

Insurance underwriting income/expense comprised:

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Insurance premiums written, gross	14,355	14,690	29,512	27,699
Ceded reinsurance share	(6,190)	(6,599)	(14,557)	(11,309)
Change in unearned insurance premiums, net	(715)	(2,134)	(2,620)	(5,225)
	7,450	5,957	12,335	11,165
Insurance payments	(2,395)	(2,439)	(5,372)	(4,663)
Insurance reserves expenses	(2,045)	(1,567)	(3,104)	(2,357)
Commissions to agents	(1,946)	(1,827)	(2,719)	(3,316)
	(6,386)	(5,833)	(11,195)	(10,336)
Total insurance income	1,064	124	1,140	829

27. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Salaries and other employee benefits	9,468	9,362	19,904	18,671
Depreciation and amortization expenses	1,457	1,511	3,116	3,115
Taxes other than income tax	841	838	1,751	1,716
Rent	697	502	1,387	1,076
Repairs and maintenance	525	448	944	765
Information services	493	317	946	619
Security	481	499	985	927
Communication	405	405	796	796
Utilities expenses	327	443	837	748
Expenses from sale of property and equipment and intangible assets	210	54	210	299
Stationery and office supplies	204	192	395	367
Advertisement	148	247	333	402
Charity	141	89	169	129
Business trip expenses	137	198	264	332
Transportation	129	119	252	233
Professional services	125	37	227	176
Insurance agent fees	115	117	278	292
Hospitality expenses	14	17	27	32
Social events	1	4	5	12
Other	705	178	1,355	878
	16,623	15,577	34,181	31,585

28. EARNINGS PER SHARE

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

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Basic earnings per share				
Net income for the period attributable to equity holders of the parent	34,213	28,305	57,137	55,277
Less: Dividends paid on preference shares	(333)	(2,543)	(333)	(2,543)
Earnings attributable to common shareholders	33,880	25,762	56,804	52,734
Weighted average number of common shares for the purposes of basic earnings per share	10,916,890,861	10,910,163,317	10,919,261,034	10,910,001,372
Basic earnings per share (in Tenge)	3.10	2.36	5.20	4.83
Diluted earnings per share				
Earnings used in the calculation of basic earnings per share	33,880	25,762	56,804	52,734
Add: Dividends paid on convertible preferred shares	9	1,078	9	1,078
Less: Amounts payable to convertible preferred shareholders upon conversion*	(96)	(8,586)	(96)	(9,136)
Earnings used in the calculation of total diluted earnings per share	33,793	18,254	56,717	44,676
Weighted average number of common shares for the purposes of basic earnings per share	10,916,890,861	10,910,163,317	10,919,261,034	10,910,001,372
Weighted average number of common shares that would be issued for the convertible preferred shares*	-	72,458,831	324,637	77,104,799
Weighted average number of common shares for the purposes of diluted earnings per share	10,916,890,861	10,982,622,148	10,919,585,671	10,987,106,171
Diluted earnings per share (in Tenge)	3.10	1.66	5.19	4.07

* The Group performed exchange of preferred shares and preferred shares convertible into common shares to common shares (see Note 20).

As required by KASE Listing Rules the book value of one share per each class of shares as at 30 June 2016 and 31 December 2015, is disclosed as follows:

Class of shares	Outstanding shares	30 June 2016 (unaudited) Equity	Book value of one share, in KZT
Common	10,993,480,189	579,529	52.72
		579,529	

Class of shares	Outstanding shares	31 December 2015 Equity	Book value of one share, in KZT
Common	10,909,450,551	523,109	47.95
Non-convertible preferred	20,443,932	(3,975)	(194.43)
Convertible preferred	369,555	2,135	5,777.22
		521,269	

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

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

29. FINANCIAL RISK MANAGEMENT

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

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

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

Credit risk

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

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

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

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

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

Liquidity Risk

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

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

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

	30 June 2016 (unaudited)					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	1,520,230	142	-	-	-	1,520,372
Obligatory reserves	47,782	3,005	21,739	3,865	463	76,854
Financial assets at fair value through profit or loss	329,915	-	79,550	75,435	-	484,900
Amounts due from credit institutions	7,478	1,855	18,216	5,687	8,207	41,443
Available-for-sale investment securities	33,834	40,410	30,088	149,607	103,229	357,168
Held to maturity investments	716	498	1,426	1,590	37,935	42,165
Loans to customers	156,432	202,242	1,420,070	281,168	100,726	2,160,638
Other financial assets	7,649	448	1,421	-	10	9,528
	2,104,036	248,600	1,572,510	517,352	250,570	4,693,068
FINANCIAL LIABILITIES:						
Amounts due to customers	1,925,783	264,300	1,097,422	81,853	68,127	3,437,485
Amounts due to credit institutions	38,705	4,834	49	8,623	97,770	149,981
Financial liabilities at fair value through profit or loss	450	-	-	-	-	450
Debt securities issued	4,963	3,812	200,645	164,011	220,463	593,894
Other financial liabilities	11,309	185	2,016	106	17	13,633
	1,981,210	273,131	1,300,132	254,593	386,377	4,195,443
Net position	122,826	(24,531)	272,378	262,759	(135,807)	
Accumulated gap	122,826	98,295	370,673	633,432	497,625	

	31 December 2015					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,404,000	680	-	-	-	1,404,680
Obligatory reserves	36,373	2,864	20,677	4,522	3,953	68,389
Financial assets at fair value through profit or loss	8,271	8,058	86,331	74,410	-	177,070
Amounts due from credit institutions	6,735	49	21,413	8,364	8,432	44,993
Available-for-sale investment securities	1,786	3,197	42,015	156,592	174,930	378,520
Loans to customers	145,257	217,322	1,443,491	258,976	111,023	2,176,069
Other financial assets	3,666	1,375	1,159	3	23	6,226
	1,606,088	233,545	1,615,086	502,867	298,361	4,255,947
FINANCIAL LIABILITIES:						
Amounts due to customers	1,512,389	157,208	1,251,201	38,008	84,925	3,043,731
Amounts due to credit institutions	65,353	140	1,142	8,879	92,744	168,258
Financial liabilities at fair value through profit or loss	5,593	-	-	-	-	5,593
Debt securities issued	4,973	3,802	7,366	202,178	379,206	597,525
Other financial liabilities	10,671	315	1,551	183	11	12,731
	1,598,979	161,465	1,261,260	249,248	556,886	3,827,838
Net position	7,109	72,080	353,826	253,619	(258,525)	
Accumulated gap	7,109	79,189	433,015	686,634	428,109	

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

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

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

Currency Risk

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

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

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

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

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

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

	30 June 2016 (unaudited)						
	USD	**EURO**	**RUR**	**Other**	**Total foreign currencies**	**KZT**	**TOTAL**
FINANCIAL ASSETS:							
Cash and cash equivalents	1,273,105	26,775	9,043	15,824	1,324,747	195,625	1,520,372
Obligatory reserves	52,369	872	263	1,463	54,967	21,887	76,854
Financial assets at fair value through profit or loss	2,284	-	-	93	2,377	482,523	484,900
Amounts due from credit institutions	11,834	-	-	2	11,836	29,607	41,443
Available-for-sale investment securities	150,014	1,805	1,070	241	153,130	204,038	357,168
	38,073	-	804	3,121	41,998	167	42,165
Loans to customers	721,339	4,539	23,217	13,422	762,517	1,398,121	2,160,638
Other financial assets	927	231	79	459	1,696	7,832	9,528
	2,249,945	34,222	34,476	34,625	2,353,268	2,339,800	4,693,068
FINANCIAL LIABILITIES							
Amounts due to customers	2,213,407	40,118	4,724	12,613	2,270,862	1,166,623	3,437,485
Amounts due to credit institutions	32,150	270	86	1,756	34,262	115,719	149,981
Financial liabilities at fair value through profit or loss	-	2	-	-	2	448	450
Debt securities issued	363,769	-	-	-	363,769	230,125	593,894
Other financial liabilities	1,399	179	758	304	2,640	10,993	13,633
	2,610,725	40,569	5,568	14,673	2,671,535	1,523,908	4,195,443
Net position – on balance	(360,780)	(6,347)	28,908	19,952	(318,267)	815,892	497,625
Net position – off-balance	390,177	6,394	(14,812)	(17,163)	364,596	(206,537)	
Net position	29,397	47	14,096	2,789	46,329	609,355	

	31 December 2015						
	USD	**EURO**	**RUR**	**Other**	**Total foreign currencies**	**KZT**	**TOTAL**
FINANCIAL ASSETS:							
Cash and cash equivalents	1,246,957	46,458	17,737	25,328	1,336,480	68,200	1,404,680
Obligatory reserves	52,945	1,149	233	970	55,297	13,092	68,389
Financial assets at fair value through profit or loss	1,000	-	-	-	1,000	176,070	177,070
Amounts due from credit institutions	14,829	-	-	-	14,829	30,164	44,993
Available-for-sale investment securities	211,261	1,784	904	654	214,603	163,917	378,520
Loans to customers	671,755	5,986	15,653	12,430	705,824	1,470,245	2,176,069
Other financial assets	44	48	56	195	343	5,883	6,226
	2,198,791	55,425	34,583	39,577	2,328,376	1,927,571	4,255,947
FINANCIAL LIABILITIES							
Amounts due to customers	2,247,718	54,362	6,085	12,511	2,320,676	723,055	3,043,731
Amounts due to credit institutions	22,732	545	1,952	1,332	26,561	141,697	168,258
Financial liabilities at fair value through profit or loss	-	2	-	-	2	5,591	5,593
Debt securities issued	364,241	-	-	-	364,241	233,284	597,525
Other financial liabilities	853	72	151	315	1,391	11,340	12,731
	2,635,544	54,981	8,188	14,158	2,712,871	1,114,967	3,827,838
Net position – on balance	(436,753)	444	26,395	25,419	(384,495)	812,604	428,109
Net position – off-balance	462,886	37	(14,441)	(21,338)	427,144	(252,186)	
Net position	26,133	481	11,954	4,081	42,649	560,418	

30. SEGMENT ANALYSIS

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

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

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

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

Other represents capital market services.

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

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

There were no transactions between business segments during the six months ended 30 June 2016 and 2015.

Segment information for the main reportable business segments of the Group as at 30 June 2016 and 2015 and for the six months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 30 June 2016 and for the six months then ended						
External revenues	65,453	94,568	19,940	24,199	15,744	219,904
Total revenues	65,453	94,568	19,940	24,199	15,744	219,904
Total revenues comprise:						
- Interest income	52,299	78,721	15,481	21,028	-	167,529
- Fee and commission income	21,016	2,971	3,135	979	240	28,341
- Net foreign exchange (loss)/gain	(7,862)	12,866	1,306	1,151	412	7,873
- Net realized gain from available-for-sale investment securities	-	-	-	1,025	-	1,025
- Provisions	-	10	18	16	(4)	40
- Insurance underwriting income and other income	-	-	-	-	15,096	15,096
Total revenues	65,453	94,568	19,940	24,199	15,744	219,904
- Interest expense	(31,028)	(46,180)	(2,231)	(4,244)	-	(83,683)
- Impairment charge	(2,717)	(5,215)	(2,333)	(141)	(292)	(10,698)
- Fee and commission expense	(5,932)	(220)	(102)	(104)	(126)	(6,484)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(12,802)	7,382	(836)	1,067	610	(4,579)
- Operating expenses	(19,488)	(2,083)	(3,391)	(2,817)	(6,402)	(34,181)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(11,195)	(11,195)
Segment result	(6,514)	48,252	11,047	17,960	(1,661)	69,084
Income before income tax expense						69,084
Income tax expense					(11,947)	(11,947)
Net income						57,137
Total segment assets	545,808	3,036,569	263,643	730,556	321,683	4,898,259
Total segment liabilities	1,528,220	2,422,066	223,328	-	136,729	4,310,343
Other segment items:						
Capital expenditures						(18,285)
Depreciation and amortization						(3,116)

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 30 June 2015 and for the six months then ended (unaudited)						
External revenues	63,932	55,664	16,328	11,784	13,274	160,982
Total revenues	63,932	55,664	16,328	11,784	13,274	160,982
Total revenues comprise:						
- Interest income	43,403	51,710	12,962	10,211	-	118,286
- Fee and commission income	18,833	2,375	2,866	1,306	136	25,516
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	-	267	-	267
- Net foreign exchange gain	1,696	1,560	520	-	-	3,776
- Insurance underwriting income and other income	-	-	-	-	13,135	13,135
- Recovery of other provisions/(other provisions)	-	19	(20)	-	3	2
Total revenues	63,932	55,664	16,328	11,784	13,274	160,982
- Interest expense	(17,158)	(24,402)	(1,237)	-	-	(42,797)
- (Impairment charge)/recovery of provisions	(7,144)	12,876	(6,715)	(372)	(270)	(1,625)
- Fee and commission expense	(3,900)	(114)	(100)	(61)	(590)	(4,765)
- Operating expenses	(18,110)	(2,187)	(3,256)	(390)	(7,642)	(31,585)
- Net realized loss from available-for-sale investment securities	-	(1,301)	-	-	-	(1,301)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(10,336)	(10,336)
Segment result	17,620	40,536	5,020	10,961	(5,564)	68,573
Income before income tax expense						68,573
Income tax expense					(13,296)	(13,296)
Net income						55,277
Total segment assets	1,669,183	495,508	220,786	309,476	260,522	2,955,475
Total segment liabilities	1,291,946	856,929	241,514	-	89,795	2,480,184
Other segment items:						
Capital expenditures					(16,045)	(16,045)
Depreciation and amortization					(3,115)	(3,115)

Geographical information

Information for the main geographical areas of the Group is set out below as at 30 June 2016 and 31 December 2015 and for the six-months ended 30 June 2016 and 2015.

	Kazakhstan	OECD	Non-OECD	Total
30 June 2016 (unaudited)				
Total assets	4,582,765	208,182	107,312	4,898,259
31 December 2015				
Total assets	4,101,191	262,578	91,169	4,454,938
Six months ended 30 June 2016 (unaudited)				
External revenues	213,862	1,609	4,433	219,904
Capital expenditure	(18,285)	-	-	(18,285)
Six months ended 30 June 2015 (unaudited)				
External revenues	157,365	431	3,186	160,982
Capital expenditure	(16,045)	-	-	(16,045)

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

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2016 and 31 December 2015, before any allowances for impairment losses:

Financial Assets/Liabilities	Fair value hierarchy			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016 (unaudited)	**31 December 2015**				
Non-derivative financial assets at fair value through profit or loss (Note 7)	329,032	1,757	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss (Note 7)	707	1,509	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss (Note 7)	155,161	173,804	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Derivative financial liabilities at fair value through profit or loss (Note 7)	450	5,593	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 9)	356,900	378,174	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	165	248	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 9)	103	98	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value

There were no transfers between Level 1 and 2 during the six months ended 30 June 2016 and 2015.

	Financial assets at fair value through profit or loss (Level 3)	Available-for-sale investment securities Unquoted equity securities (Level 3)
31 December 2014	7,776	1,924
Gains or losses	1,190	(214)
Redemption/sale	-	(531)
30 June 2015 (unaudited)	8,966	1,179
31 December 2015	173,804	98
Gains or losses	(18,643)	5
30 June 2016 (unaudited)	155,161	103

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

Amounts due from and to credit institutions

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

Loans to customers

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

Amounts due to customers

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

Debt securities issued

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

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

	30 June 2016 (unaudited)		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	41,443	41,224	44,993	45,058
Loans to customers	2,160,638	1,909,138	2,176,069	2,106,902
Held to maturity investments	42,165	44,404	-	-
Financial liabilities				
Amounts due to customers	3,437,485	3,464,904	3,043,731	3,197,750
Amounts due to credit institutions	149,981	164,295	168,258	193,863
Debt securities issued	593,894	602,265	597,525	611,607

	30 June 2016 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	41,224	-	41,224
Loans to customers	-	-	1,909,138	1,909,138
Held to maturity investments	44,404	-	-	44,404
Financial liabilities				
Amounts due to customers	-	3,464,904	-	3,464,904
Amounts due to credit institutions	-	164,295	-	164,295
Debt securities issued	602,265	-	-	602,265

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	45,058	-	45,058
Loans to customers	-	-	2,106,902	2,106,902
Financial liabilities				
Amounts due to customers	-	3,197,750	-	3,197,750
Amounts due to credit institutions	-	193,863	-	193,863
Debt securities issued	611,607	-	-	611,607

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

32. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those 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.

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As at 30 June 2016 and 31 December 2015, the Group had the following outstanding balances with related parties:

	30 June 2016 (unaudited)		31 December 2015	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers before allowance for impairment losses	2,896	2,461,155	3,537	2,481,183
- the Parent	-		8	
- entities with joint control or significant influence over the entity	2,766		3,426	
- key management personnel of the entity or its Parent	118		90	
- other related parties	12		13	
Allowance for impairment losses	(15)	(300,517)	(47)	(305,114)
- the Parent	-		(1)	
- entities with joint control or significant influence over the entity	(15)		(46)	
Amounts due to customers	284,233	3,437,485	181,164	3,043,731
- the Parent	129,514		116,204	
- entities with joint control or significant influence over the entity	12,313		12,525	
- key management personnel of the entity or its Parent	9,595		9,818	
- other related parties	132,811		42,617	

The following amounts resulted from transactions with related parties and have been reflected in the interim consolidated income statement and in the interim consolidated statement of other comprehensive income for the six months ended 30 June 2016 and 2015:

	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	178	167,529	238	118,286
- entities with joint control or significant influence over the entity	171		233	
- key management personnel of the entity or its Parent	6		4	
- other related parties	1		1	
Interest expense	(4,139)	(83,683)	(1,278)	(42,797)
- the Parent	(3,364)		(992)	
- entities with joint control or significant influence over the entity	(8)		(1)	
- key management personnel of the entity or its Parent	(198)		(115)	
- other related parties	(569)		(170)	

	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	1,250	19,904	1,204	18,671
- short-term employee benefits	1,250		1,204	

33. EVENTS AFTER THE REPORTING DATE

On 21 July 2016, to improve efficiency and profitability of the investment portfolio, the Management of the Group decided to reclassify Eurobonds of the Ministry of Finance of the Republic of Kazakhstan for total amount of USD 14,6 million maturing in 2045 from held to maturity investment portfolio to available-for-sale investment portfolio. Market interest rates on foreign currency instruments reduced significantly in the past few weeks. As a result, market value of Eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan increased significantly and as at 8 July 2016 it was 119% of the nominal value. The Group will not classify any financial assets as investments held to maturity for two financial years following the year of reclassification.

On 1 August 2016, the Bank's Board of Directors resolved to prepay KZT 5,000 million 10-year subordinated local bond together with coupon interest accrued on the closest coupon interest payment date - 6 November 2016. The subordinated local bond bears a coupon of 13.0% p.a.; its original maturity is November 2018.