

JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the six months ended 30 June 2019

JSC Halyk Bank

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JSC Halyk Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2019 (unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2019, the results of its operations, cash flows and changes in equity for the three and 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:

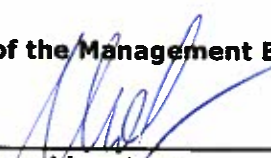
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient 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 2019 was authorized for issue by the Management Board on 15 August 2019.

On behalf of the Management Board:



Umut B. Shayakhmetova
Chairperson of the Board

15 August 2019
Almaty, Kazakhstan





Pavel A. Denissov
Chief Accountant

15 August 2019
Almaty, Kazakhstan



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

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

Scope of Review

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

Conclusion

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

15 August 2019
Almaty, Republic of Kazakhstan

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

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

Scope of Review

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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*.



15 August 2019
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2019 (unaudited) (millions of Kazakhstani Tenge)

	Notes	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	5	2,111,184	1,755,138
Obligatory reserves		112,958	115,741
Financial assets at fair value through profit or loss	6	191,856	186,836
Amounts due from credit institutions	7	51,357	55,035
Financial assets at fair value through other comprehensive income	8	1,435,565	1,765,933
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,089,944	1,055,907
Precious metals		3,269	3,496
Loans to customers	10, 31	3,492,575	3,481,079
Investment property		44,568	58,868
Commercial property		96,898	70,318
Assets held-for-sale		55,990	56,129
Investments in associate		24,252	20,437
Current income tax assets		26,853	34,478
Deferred income tax assets		214	323
Property and equipment		131,365	130,987
Intangible assets		8,819	8,435
Goodwill		3,085	3,085
Insurance assets	11	57,944	65,651
Other assets	12	120,453	91,148
TOTAL ASSETS		9,059,149	8,959,024
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	6,220,463	6,526,930
Amounts due to credit institutions	14	476,703	168,379
Financial liabilities at fair value through profit or loss	6	11,857	7,022
Debt securities issued	15	903,536	900,791
Current income tax liability		3,334	126
Deferred tax liability		63,037	66,188
Provisions	16	4,695	2,546
Insurance liabilities	11	188,061	182,441
Other liabilities	18	59,868	38,955
Total liabilities		7,931,554	7,893,378
EQUITY			
Share capital	19	209,027	209,027
Share premium reserve		1,839	1,839
Treasury shares		(111,320)	(111,441)
Retained earnings and other reserves		1,028,043	966,215
		1,127,589	1,065,640
Non-controlling interest		6	6
Total equity		1,127,595	1,065,646
TOTAL LIABILITIES AND EQUITY		9,059,149	8,959,024

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 August 2019
Almaty, Kazakhstan

Pavel Choussov
Chief Accountant

15 August 2019
Almaty, Kazakhstan

The notes on pages 10 to 34 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Profit or Loss for the Three and Six Months ended 30 June 2019 (unaudited)

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

	Notes	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
CONTINUING OPERATIONS					
Interest income calculated using effective interest method	21, 31	178,134	169,487	352,540	332,042
Other interest income	21	1,767	1,519	3,544	2,697
Interest expense	21, 31	(82,250)	(82,713)	(165,824)	(170,330)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		97,651	88,293	190,260	164,409
Credit loss expense	16	(3,615)	(24,015)	(12,686)	(22,876)
NET INTEREST INCOME		94,036	64,278	177,574	141,533
Fee and commission income	22	30,711	28,012	57,684	54,386
Fee and commission expense	22	(13,236)	(8,293)	(24,756)	(17,973)
Fees and commissions, net		17,475	19,719	32,928	36,413
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	23	(6,843)	73,087	(22,489)	28,763
Net realised gain from financial assets at fair value through other comprehensive income		248	1,182	2,399	2,960
Net gain/(loss) on foreign exchange operations	24	15,281	(60,487)	32,479	(5,062)
Insurance underwriting income	25	28,463	17,466	44,040	32,119
Share in profit of associate		1,523	705	3,197	705
Other income		10,031	14,913	17,584	22,226
OTHER NON-INTEREST INCOME		48,703	46,866	77,210	81,711
Operating expenses	26	(33,129)	(35,043)	(63,265)	(68,937)
Loss from impairment of non-financial assets (Other credit loss expense)/recoveries of other credit loss expense	16	(1,776)	992	(2,081)	2,347
Insurance claims incurred, net of reinsurance	25	(26,164)	(15,970)	(40,898)	(30,331)
NON-INTEREST EXPENSES		(61,069)	(78,526)	(106,244)	(127,229)
INCOME BEFORE INCOME TAX EXPENSE		99,145	52,337	181,468	132,428
Income tax expense	17	(9,418)	(47,038)	(17,239)	(57,197)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		89,727	5,299	164,229	75,231
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations		-	7,389	-	9,974
NET PROFIT		89,727	12,688	164,229	85,205
Attributable to:					
Non-controlling interest		-	(11,433)	-	(969)
Common shareholders		89,727	24,121	164,229	86,174
		89,727	12,688	164,229	85,205
EARNINGS PER SHARE					
(in Kazakhstani Tenge)	27				
Basic and diluted earnings per share		7.68	2.19	14.06	7.84
Basic and diluted earnings per share from continuing operations		7.68	2.11	14.06	7.52

On behalf of the Management Board:

Umur B. Sharypov
Chairperson of the Board

15 August 2019
Almaty, Kazakhstan

The notes on pages 44 to 53 form an integral part of this interim condensed consolidated financial information.

Pavel A. Chirsov
Chief Accountant

15 August 2019
Almaty, Kazakhstan

JSC Halyk Bank

Interim Condensed Consolidated Statement of Other Comprehensive Income for the Three and Six Months ended 30 June 2019 (unaudited) (millions of Kazakhstani Tenge)

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Net profit	89,727	12,688	164,229	85,205
Other comprehensive income:				
<i>Items that will not to be subsequently reclassified to profit or loss:</i>				
Gain on revaluation of property (net of tax – KZT Nil)	52	1,982	-	1,957
Gain on revaluation of equity financial assets at fair value through other comprehensive income (net of tax – KZT Nil)	367	108	373	108
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain/(loss) on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	14,146	(2,126)	26,438	(6,990)
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(248)	(1,182)	(2,399)	(2,960)
Share of other comprehensive income of associate	315	-	619	-
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	(729)	(16)	(1,490)	(316)
Other comprehensive income/(loss) for the period	13,903	(1,234)	23,541	(8,201)
Total comprehensive income	103,630	11,454	187,770	77,004
Attributable to:				
Non-controlling interest	-	(10,190)	-	(94)
Common shareholders	103,630	21,644	187,770	77,098
Total comprehensive income	103,630	11,454	187,770	77,004

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

15 August 2019
Almaty, Kazakhstan


Pavel A. Chernov
Chief Accountant

15 August 2019
Almaty, Kazakhstan

The notes on pages 10 to 53 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Six Months ended 30 June 2019 (unaudited)

(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other compre- hensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non- controlling interest	Total equity
31 December 2018	209,027	1,839	(111,441)	9,657	(4,804)	20,970	940,392	1,065,640	6	1,065,646
Net income	-	-	-	-	-	-	164,229	164,229	-	164,229
Other comprehen- sive (loss)/income	-	-	-	(1,490)	25,031	-	-	23,541	-	23,541
Total comprehen- sive (loss)/ income	-	-	-	(1,490)	25,031	-	164,229	187,770	-	187,770
Treasury shares purchased	-	-	(91)	-	-	-	-	(91)	-	(91)
Treasury shares sold	-	-	212	-	-	-	-	212	-	212
Dividends – common shares	-	-	-	-	-	-	(125,923)	(125,923)	-	(125,923)
Insurance bonuses to the insured	-	-	-	-	-	-	(19)	(19)	-	(19)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(504)	504	-	-	-
30 June 2019 (unaudited)	209,027	1,839	(111,320)	8,167	20,227	20,466	979,183	1,127,589	6	1,127,595

JSC Halyk Bank

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

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
1 January 2018	143,695	1,839	(104,234)	6,570	3,469	15,470	752,201	819,010	60,584	879,594
Net income	-	-	-	-	-	-	86,174	86,174	(969)	85,205
Other comprehensive (loss)/income	-	-	-	(221)	(10,472)	1,558	59	(9,076)	875	(8,201)
Total comprehensive (loss)/ income	-	-	-	(221)	(10,472)	1,558	86,233	77,098	(94)	77,004
Treasury shares purchased	-	(10)	(451)	-	-	-	-	(461)	-	(461)
Treasury shares sold	-	-	284	-	-	-	-	284	-	284
Effect from exchange of preferred shares of JSC	-	-	-	-	-	-	-	-	-	-
Kazkommerts-bank Dividends - common shares	-	-	-	-	-	-	(817)	(817)	6,175	5,358
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(252)	252	-	-	-
30 June 2018 (unaudited)	143,695	1,829	(104,401)	6,349	(7,003)	16,776	768,488	825,733	66,665	892,398

* 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:

Gimut B. Shayakmetova
Chairperson of the Board

15 August 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 August 2019
Almaty, Kazakhstan

The notes on pages 19 to 53 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Cash Flows for the Six Months ended 30 June 2019 (unaudited)

(millions of Kazakhstani Tenge)

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	3,088	1,698
Interest received from cash equivalents and amounts due from credit institutions	23,526	18,683
Interest received on financial assets at fair value through other comprehensive income	21,309	16,768
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	12,336	46,720
Interest received from loans to customers	209,007	207,529
Interest paid on due to customers	(110,315)	(123,232)
Interest paid on due to credit institutions	(1,823)	(1,713)
Interest paid on debt securities issued	(29,935)	(40,976)
Fee and commission received	58,498	52,507
Fee and commission paid	(24,867)	(18,504)
Insurance underwriting income received	34,979	29,360
Ceded insurance share paid	(5,979)	(3,704)
Payment for derivative operations	(3,500)	(3,672)
Other income received	17,584	17,034
Operating expenses paid	(57,708)	(63,238)
Insurance claims paid	(27,896)	(23,830)
Cash flows from operating activities before changes in net operating assets	118,304	111,430
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	2,782	2,312
Financial assets at fair value through profit or loss	(23,431)	21,757
Amounts due from credit institutions	4,370	29,064
Precious metals	570	42
Loans to customers	(73,126)	(35,628)
Assets held-for-sale	5,347	9,301
Insurance assets	(2,176)	(3,391)
Other assets	(18,744)	(1,798)
(Decrease)/increase in operating liabilities:		
Amounts due to customers	(250,177)	(97,309)
Amounts due to credit institutions	308,608	(99,887)
Financial liabilities at fair value through profit or loss	4,767	(2,288)
Insurance liabilities	17,544	14,267
Other liabilities	12,857	(24,911)
Net cash inflow/(outflow) from operating activities before income tax	107,495	(77,039)
Income tax paid	(9,448)	(22,564)
Net cash inflow/(outflow) from operating activities	98,047	(99,603)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(7,780)	(3,337)
Proceeds on sale of property and equipment	880	790
Proceeds on sale of commercial property	20,525	10,544
Proceeds from sale of financial assets at fair value through other comprehensive income	415,703	538,361
Purchase of financial assets at fair value through other comprehensive income	(24,761)	(340,280)
Net cash outflow from disposal of JSC Altyn Bank	-	(110,175)
Proceeds on sale of investment property	2,817	1,041
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(33,632)	(29,363)
Proceeds from sale of debt securities at amortized cost, net of allowance for expected credit losses	35,867	21,680
Capital expenditures on commercial property	(296)	(473)
Net cash inflow from investing activities	409,323	88,788

JSC Halyk Bank

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

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		212	284
Purchase of treasury shares		(91)	(461)
Repurchase of shares by subsidiary		-	(6,984)
Redemption and repayment of debt securities issued	15	(10,535)	(112,879)
Dividends paid – common shares		(125,923)	(69,381)
Repayment of the lease liabilities		(647)	n/a
Net cash outflow from financing activities		(136,984)	(189,421)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(14,340)	19,646
Net change in cash and cash equivalents		356,046	(180,590)
CASH AND CASH EQUIVALENTS, beginning of the period	5	1,755,138	1,923,284
CASH AND CASH EQUIVALENTS, end of the period	5	2,111,184	1,742,694

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

15 August 2019
Almaty, Kazakhstan


Pavel A. Chirusov
Chief Accountant

15 August 2019
Almaty, Kazakhstan

The notes on pages 10 to 53 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

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

(millions of Kazakhstani Tenge)

1. Principal activities

JSC Halyk Bank (“the Bank”) and its subsidiaries (collectively, “the Group”) provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan and Georgia, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the National Bank of the Republic of Kazakhstan (“NBRK”) on 8 November 2016. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

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

The Bank has a primary listing with the Kazakhstan Stock Exchange (“KASE”). In addition, the Bank’s Global Depository Receipts (“GDRs”) and Eurobonds are primary listed on the London Stock Exchange.

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

As at 30 June 2019, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 497 cash settlement units (31 December 2018 – 23, 121, 503, respectively) located throughout Kazakhstan. The address of the Bank’s registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 30 June 2019, the number of the Group’s full-time equivalent employees was 16,069 (31 December 2018 – 16,131).

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

Legal proceedings

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

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During the six months ended 30 June 2019, oil prices decreased approximately by 5% compared to the six months ended 30 June 2018, from 67 USD/bbl. to 64 USD/bbl. on average, which led to GDP growth deceleration to 3.8% yoy from 4.1% yoy a year earlier.

JSC Halyk Bank

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

(millions of Kazakhstani Tenge)

As at 30 June 2019, the base rate set by the NBRK was 9.0% ± 1% (9.0% ± 1% as at 30 June 2018). Due to relatively high cost of funding during the six months 2019, the demand for new loans continued to be relatively low, while KZT liquidity in the banking system demonstrated excess levels. Short-term notes and deposits of the NBRK remain the key instrument to withdraw excess tenge liquidity from the system.

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

Ownership

As at 30 June 2019 and 31 December 2018, the Group's shares were represented by common shares only.

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

30 June 2019 (unaudited)

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	8,756,202,348	75.0%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	1,839,864,600	15.8%
Other	367,046,724	3.1%
Total shares in circulation (on consolidated basis)	11,681,168,412	100%

31 December 2018

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

JSC Halyk Bank

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

(millions of Kazakhstani Tenge)

2. Basis of presentation

Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

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

No significant changes in the Group structure occurred during the six months ended 30 June 2019 in comparison with the structure as at 31 December 2018.

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

(millions of Kazakhstani Tenge)

3. Significant accounting policies

In preparing this interim condensed consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2018, except for the adoption of a new standard - IFRS 16 "Leases" ("IFRS 16") effective as at 1 January 2019.

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

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

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

Impact of the new definition of a lease

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

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

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

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

Impact on lessee accounting

Operating leases

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

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

(millions of Kazakhstani Tenge)

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

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

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

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

Finance leases

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

Impact on lessor accounting

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

Summary of impact upon adoption of IFRS 16

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

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

4. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2018.

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

(millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2019 (unaudited)	31 December 2018
Cash on hand	158,520	196,266
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	228,627	120,096
Short-term deposits with OECD based banks	500,587	248,038
Overnight deposits with OECD based banks	69,582	2,396
Correspondent accounts with NBRK	349,317	935,757
Short-term deposits with NBRK	703,567	153,975
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	83,176	65,036
Overnight deposits with Kazakhstan banks	3,002	-
Correspondent accounts with non-OECD based banks	7,916	10,745
Short-term deposits with non-OECD based banks	5,959	22,657
Overnight deposits with non-OECD based banks	931	172
Total cash and cash equivalents	2,111,184	1,755,138

As at 30 June 2019 and 31 December 2018, cash and cash equivalents allowance for expected credit losses comprised KZT 13 million and KZT 9 million, respectively (Note 16).

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

	30 June 2019 (unaudited)		31 December 2018	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	2.3%-2.5%	-	2.0%-2.8%
Overnight deposits with OECD based banks	-	2.0%-2.5%	-	1.5%
Short-term deposits with NBRK	8.0%-9.1%	7.5%	8.3%	6.8%-7.7%
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	8.5%-12.5%	2.1%-2.2%	8.3%-13.5%	3.0%-10.0%
Overnight deposits with Kazakhstan banks	9.0%	-	-	-
Short-term deposits with non-OECD based banks	-	2.2%-8.0%	-	0.2%-7.5%
Overnight deposits with non-OECD based banks	-	1.8%	7.0%	-

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

	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
NBRK notes	59,235	61,037	19,816	20,422
Treasury bills of the Ministry of Finance of Kazakhstan	12,353	12,915	19,154	19,695
Treasury bills of the Ministry of Finance of Russian Federation	8,656	9,116	21,462	22,755
Bonds of Kazakhstan corporations	2,586	2,651	-	-
Equity securities	277	396	4,503	7,240
Bonds of international financial organizations	69	86	101	102
	83,176	86,201	65,036	70,214

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

(millions of Kazakhstani Tenge)

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

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

Financial assets at fair value through profit or loss comprise:

	30 June 2019 (unaudited)	31 December 2018
Financial assets held for trading:		
Derivative financial instruments	84,054	97,853
Corporate bonds	49,101	29,987
Bonds of Kazakhstan banks	13,720	11,453
Bonds of foreign organizations	10,557	6,293
Treasury bills of the Ministry of Finance of Kazakhstan	9,539	11,759
Equity securities of Kazakhstan corporations	9,397	14,800
Equity securities of foreign organizations	7,802	3,738
Bonds of JSC Development Bank of Kazakhstan	6,549	6,491
Treasury bills of the USA	1,137	-
Notes of NBRK	-	4,462
Total financial assets at fair value through profit or loss	191,856	186,836

Financial liabilities at fair value through profit or loss comprise:

	30 June 2019 (unaudited)	31 December 2018
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	11,857	7,022

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

	30 June 2019 (unaudited)	31 December 2018
Corporate bonds	10.7%	11.2%
Bonds of Kazakhstan banks	11.3%	10.8%
Bonds of foreign organizations	7.8%	7.9%
Treasury bills of the Ministry of Finance of Kazakhstan	9.1%	7.7%
Bonds of JSC Development Bank of Kazakhstan	8.8%	9.2%
Treasury bills of the USA	2.4%	-
Notes of NBRK	-	7.3%

Derivative financial instruments comprise:

	30 June 2019 (unaudited)			31 December 2018		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts:						
Swaps	1,269,466	84,040	11,855	1,221,331	97,709	6,998
Spots	28,604	14	2	27,266	144	16
Forwards	704	-	-	326	-	8
		84,054	11,857		97,853	7,022

As at 30 June 2019 and 31 December 2018, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

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

(millions of Kazakhstani Tenge)

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2019 (unaudited)	31 December 2018
Term deposits	39,445	37,365
Deposit pledged as collateral for derivative financial instruments	11,632	9,512
Loans to credit institutions	461	8,390
	51,538	55,267
Less – Allowance for expected credit losses (Note 16)	(181)	(232)
Total amounts due from credit institutions	51,357	55,035

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

	30 June 2019 (unaudited)		31 December 2018	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Term deposits	3.5%-14.0%	2023	2.7%-14.0%	2023
Deposit pledged as collateral for derivative financial instruments	0.2%-3.0%	2046	0.2%-3.0%	2046
Loans to credit institutions	4.0%-8.5%	2019	2.0%-7.5%	2019

8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	30 June 2019 (unaudited)	31 December 2018
Treasury bills of the Ministry of Finance of Kazakhstan	429,080	408,508
Treasury bills of the USA	322,178	249,142
Notes of NBRK	299,155	756,652
Corporate bonds	196,100	202,923
Bonds of foreign organizations	82,444	44,283
Bonds of JSC Development Bank of Kazakhstan	77,521	75,190
Bonds of Kazakhstan banks	17,593	18,023
Treasury bills of Hungary	9,051	8,757
	1,433,122	1,763,478

Equity securities comprise:

	30 June 2019 (unaudited)	31 December 2018
Equity securities of Kazakhstan corporations	2,443	2,455
	2,443	2,455
Total financial assets at fair value through other comprehensive income	1,435,565	1,765,933

As at 30 June 2019 and 31 December 2018, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,835 million and KZT 2,576 million, respectively (Note 16).

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

(millions of Kazakhstani Tenge)

As at 30 June 2019 and 31 December 2018, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 235,002 million and KZT 4,714 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 30 June 2019 and 31 December 2018 mature before 9 July 2019 and 8 January 2019, respectively.

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

	30 June 2019 (unaudited)		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	5.0%	2019-2045	6.0%	2019-2045
Treasury bills of the USA	2.3%	2019	1.8%	2019
Notes of NBRK	8.8%	2019-2020	8.7%	2019
Corporate bonds	8.2%	2019-2047	7.9%	2019-2047
Bonds of foreign organisations	6.5%	2020-2036	5.5%	2019-2047
Bonds of JSC Development Bank of Kazakhstan	5.7%	2020-2032	6.1%	2020-2032
Bonds of Kazakhstan banks	10.0%	2019-2024	9.8%	2019-2024
Treasury bills of Hungary	3.2%	2023	3.2%	2023

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

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

	30 June 2019 (unaudited)	31 December 2018
Treasury bills of the Ministry of Finance of Kazakhstan	1,079,309	1,044,939
Treasury bills of the Kyrgyz Republic	3,439	2,847
Bonds of foreign organisations	2,244	2,640
Notes of National Bank of Georgia	2,047	2,434
Corporate bonds	1,979	1,082
Treasury bills of the Russian Federation	926	846
Notes of National Bank of Tajikistan	-	1,119
Total debt securities at amortized cost, net of allowances for expected credit losses	1,089,944	1,055,907

As at 30 June 2019 and 31 December 2018, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 457 million and KZT 441 million, respectively (Note 16).

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

(millions of Kazakhstani Tenge)

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

	30 June 2019 (unaudited)		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027	9.3%	2022-2027
Treasury bills of the Kyrgyz Republic	5.2%	2019-2021	5.6%	2019-2021
Bonds of foreign organisations	9.1%	2020-2026	9.2%	2020-2026
Notes of National Bank of Georgia	10.8%	2019-2025	10.7%	2019-2025
Corporate bonds	9.4%	2022	9.7%	2022
Treasury bills of the Russian Federation	7.9%	2021	7.8%	2021
Notes of National Bank of Tajikistan	-	-	14.2%	2019

10. Loans to customers

Loans to customers comprise:

	30 June 2019 (unaudited)	31 December 2018
Originated loans to customers	3,889,067	3,869,005
Overdrafts	20,189	21,867
	3,909,256	3,890,872
Stage 1	3,044,779	2,984,812
Stage 2	137,494	142,664
Stage 3	641,704	671,406
Purchased or originated credit-impaired assets ("POCI")	85,279	91,990
Total	3,909,256	3,890,872
Less – Allowance for expected credit losses (Note 16)	(416,681)	(409,793)
Total loans to customers	3,492,575	3,481,079

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 30 June 2019, the average interest rate on loans was 12.5% per annum (as at 31 December 2018 – 13.3% per annum).

As at 30 June 2019, the Group's loan concentration to the ten largest borrowers was KZT 694,276 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2018 – KZT 703,598 million; 19%) and 62% of the Group's total equity (as at 31 December 2018 – 66%).

As at 30 June 2019, the allowance for expected credit losses against these loans amounted to KZT 43,565 million (as at 31 December 2018 – KZT 42,044 million).

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

(millions of Kazakhstani Tenge)

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

	30 June 2019 (unaudited)	%	31 December 2018	%
Retail loans:				
- consumer loans	742,081	19%	715,362	18%
- mortgage loans	265,100	7%	273,469	7%
	1,007,181		988,831	
Services	707,710	18%	650,353	17%
Wholesale trade	451,715	11%	406,567	12%
Real estate	256,838	7%	321,306	8%
Retail trade	229,204	6%	218,503	6%
Construction	205,753	5%	221,797	6%
Oil and gas	172,235	4%	153,837	3%
Transportation	144,553	4%	151,569	3%
Agriculture	131,443	3%	129,864	3%
Communication	106,843	3%	40,080	1%
Mining	86,115	2%	73,017	2%
Financial services	66,894	2%	62,124	2%
Metallurgy	64,528	2%	188,411	5%
Energy	62,470	2%	70,483	2%
Food industry	50,731	1%	47,053	1%
Hotel industry	38,886	1%	32,845	1%
Machinery	35,415	1%	33,990	1%
Chemical industry	31,503	1%	30,603	1%
Light industry	15,783	0%	12,994	0%
Other	43,456	1%	56,645	2%
	3,909,256	100%	3,890,872	100%

As at 30 June 2019, accrued interest on loans comprised KZT 192,457 million (as at 31 December 2018 – KZT 200,539 million).

As at 30 June 2019 and 31 December 2018, loans to customers included loans of KZT 320,872 million and KZT 417,619 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due.

11. Insurance assets and liabilities

Insurance assets comprised the following:

	30 June 2019 (unaudited)	31 December 2018
Unearned reinsurance premium	23,204	17,224
Reinsurance amounts	18,529	34,270
	41,733	51,494
Premiums receivable	16,211	14,157
Total insurance assets	57,944	65,651

Insurance liabilities comprised the following:

	30 June 2019 (unaudited)	31 December 2018
Reserves for insurance claims	132,063	134,802
Gross unearned insurance premium reserve	42,012	32,952
	174,075	167,754
Payables to reinsurers and agents	13,986	14,687
Total insurance liabilities	188,061	182,441

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

(millions of Kazakhstani Tenge)

12. Other assets

Other assets comprise:

	30 June 2019 (unaudited)	31 December 2018
Other financial assets:		
Debtors on banking activities	73,298	61,321
Debtors on non-banking activities	18,846	12,380
Finance lease receivables	15,251	13,193
Accrued commission income	4,302	5,116
Others	832	33
	112,529	92,043
Less – Allowance for expected credit losses (Note 16)	(18,525)	(16,325)
	94,004	75,718
Other non-financial assets:		
Prepayments for investment property	11,137	6,317
Advances for taxes other than income tax	4,932	3,164
Prepayments for property and equipment	4,511	193
Inventory	2,051	2,332
Other investments	805	683
Others	3,013	2,741
	26,449	15,430
Total other assets	120,453	91,148

13. Amounts due to customers

Amounts due to customers include the following:

	30 June 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Term deposits:		
Individuals	2,770,374	2,918,070
Legal entities	1,455,387	1,374,592
	4,225,761	4,292,662
Current accounts:		
Legal entities	1,523,995	1,756,748
Individuals	470,707	477,520
	1,994,702	2,234,268
Total amounts due to customers	6,220,463	6,526,930

As at 30 June 2019, the Group's ten largest groups of related customers accounted for approximately 26% of the total amounts due to customers (31 December 2018 – 27%), where each group of related customers represents customers related to each other within that group.

As at 30 June 2019, amounts due to customers included amounts held as collateral of KZT 64,595 million (31 December 2018 – KZT 67,515 million).

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

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

(millions of Kazakhstani Tenge)

An analysis of customer accounts by sectors is as follows:

	30 June 2019 (unaudited)	Share	31 December 2018	Share
Individuals and entrepreneurs	3,241,081	52%	3,395,590	52%
Oil and gas	612,914	10%	669,608	10%
Financial sector	390,449	6%	425,352	7%
Wholesale trade	281,164	4%	254,518	4%
Government	257,349	4%	101,789	2%
Healthcare and social services	251,699	4%	211,571	3%
Construction	240,782	4%	275,939	4%
Other consumer services	221,454	4%	322,783	5%
Transportation	160,304	3%	179,522	3%
Insurance and pension funds activity	83,166	1%	88,377	1%
Metallurgy	60,180	1%	67,572	1%
Education	51,357	1%	47,449	1%
Energy	48,509	1%	64,731	1%
Communication	23,868	0%	55,201	1%
Other	296,187	5%	366,928	6%
	6,220,463	100%	6,526,930	100%

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	312,366	10,964
Loans from JSC Entrepreneurship Development Fund DAMU	88,805	86,390
Loans from JSC Development Bank of Kazakhstan	39,234	38,491
Correspondent accounts	18,056	23,990
Loans from other financial institutions	11,928	2,813
Loans and deposits from non-OECD based banks	3,336	2,329
Loans from JSC National Managing Holding KazAgro	2,759	3,107
Loans and deposits from OECD based banks	219	295
Total amounts due to credit institutions	476,703	168,379

As at 30 June 2019, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 88,363 million (31 December 2018 – KZT 85,956 million) at 1.0%-4.5% interest rate maturing in 2021-2035 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

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

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As at 30 June 2019, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 2,755 million (31 December 2018 - KZT 3,103 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

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

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

	30 June 2019 (unaudited)		31 December 2018	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	1.5%-9.9%	2019	8.0%-9.0%	2019
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2021-2035	1.0%-5.5%	2019-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2034-2037	1.0%-7.9%	2019-2037
Loans from other financial institutions	2.0%-10.0%	2019-2026	4.0%-10.0%	2023-2026
Loans and deposits from non-OECD based banks	1.0%-8.0%	2019-2024	1.0%-8.0%	2019-2023
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022
Loans and deposits from OECD based banks	4.3%	2019	4.2%	2019

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

	30 June 2019 (unaudited)		31 December 2018	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	235,002	234,998	465	442
NBRK Notes	-	-	4,249	4,124
	235,002	234,998	4,714	4,566

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

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

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

	Financial assets at fair value through other comprehensive income (Note 8)
As at 30 June 2019 (unaudited):	
Carrying amount of transferred assets	235,002
Carrying amount of associated liabilities	234,998
As at 31 December 2018:	
Carrying amount of transferred assets	4,714
Carrying amount of associated liabilities	4,566

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 2019 and 31 December 2018, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

15. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	85,101	79,241
KZT denominated bonds, indexed to inflation	-	3,492
Total subordinated debt securities outstanding	85,101	82,733
Unsubordinated debt securities issued:		
USD denominated bonds	457,628	428,549
KZT denominated bonds	360,807	389,509
Total unsubordinated debt securities outstanding	818,435	818,058
Total debt securities issued	903,536	900,791

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

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

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

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

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

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

As at 30 June 2019, the amount of accrued interest on debt securities issued was KZT 17,630 million (as at 31 December 2018 – KZT 20,624 million).

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 30 June 2019 and 31 December 2018, the Group was in compliance with the covenants of the agreements that the Group has with the notes' trustees and holders.

Reconciliation of liabilities arising from financing activities

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

	1 January 2019	Financing cash flows	Non-cash changes		30 June 2019 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	900,791	(10,535)	(1,909)	15,191	903,536
	1 January 2018	Financing cash flows	Foreign exchange movement	Changes in amortised cost	31 December 2018
Debt securities issued	962,396	(167,463)	77,462	28,396	900,791

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

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16. Allowances for expected credit losses

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

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
31 March 2019 (unaudited)	(41,255)	(26,725)	(327,856)	(17,728)	(1,097)	(2,101)	(14,498)	(1,181)	(2)	(2,047)	(11)	(289)	(434,790)
Transfer to Stage 1	(4,089)	2,072	2,017	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	977	(14,359)	13,382	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	21,781	1,244	(23,025)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters	5,903	(6,585)	(848)	(502)	(72)	1	(914)	95	2	(118)	1	109	(2,928)
New originations or purchases of financial assets	(20,937)	-	-	-	-	-	-	(92)	-	-	-	-	(21,029)
Derecognition of financial assets	4,292	134	13,026	2,840	-	-	-	50	-	-	-	-	20,342
Recoveries of allowances on previously written-off assets**	-	-	(4,720)	(2,156)	-	-	-	-	-	-	-	-	(6,876)
Write-offs	-	-	9,424	1,117	1	-	8	-	-	-	-	-	10,550
Foreign exchange differences and other movements	(438)	(99)	(3,003)	(565)	15	122	10	1	-	-	(3)	(1)	(3,961)
30 June 2019 (unaudited)	(33,766)	(44,318)	(321,603)	(16,994)	(1,153)	(1,978)	(15,394)	(1,127)	-	(2,165)	(13)	(181)	(438,692)
Total			(416,681)				(18,525)			(3,292)	(13)	(181)	(438,692)

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

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
1 January 2019	(43,516)	(28,716)	(322,917)	(14,644)	(1,046)	(1,696)	(13,583)	(1,101)	(21)	(1,881)	(9)	(232)	(429,362)
Transfer to Stage 1	(4,839)	2,200	2,639	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	2,044	(15,734)	13,690	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	30,948	2,518	(33,466)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters	9,954	(5,369)	(8,407)	(3,399)	(71)	2	(3,511)	39	21	(284)	-	49	(10,976)
New originations or purchases of financial assets	(35,420)	-	-	-	-	-	-	(168)	-	-	-	-	(35,588)
Derecognition of financial assets	6,932	717	22,157	3,972	-	-	-	100	-	-	-	-	33,878
Recoveries of allowances on previously written-off assets**	-	-	(10,391)	(3,550)	-	-	-	-	-	-	-	-	(13,941)
Write-offs	-	-	15,978	1,117	2	-	2,271	-	-	-	-	-	19,368
Foreign exchange differences and other movements	131	66	(886)	(490)	(38)	(284)	(571)	3	-	-	(4)	2	(2,071)
30 June 2019 (unaudited)	(33,766)	(44,318)	(321,603)	(16,994)	(1,153)	(1,978)	(15,394)	(1,127)	-	(2,165)	(13)	(181)	(438,692)
Total				(416,681)			(18,525)			(3,292)	(13)	(181)	(438,692)

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

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	Loans to customers (Note 10)			Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
31 March 2018												
(unaudited)	(33,777)	(33,329)	(271,275)	(838)	(1,345)	(8,375)	(1,130)	(4)	(1,473)	(14)	(535)	(352,095)
Transfer to Stage 1	(306)	374	(68)	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	1,945	(1,572)	(373)	25	(26)	1	-	-	-	-	-	-
Transfer to Stage 3	9,792	978	(10,770)	-	376	(376)	-	-	-	-	-	-
Changes in models/risk parameters	15,104	(1,653)	17,140	(274)	(4,590)	883	627	-	143	4	25	27,409
New originations or purchases of financial assets	(19,232)	-	-	-	-	-	34	-	-	-	-	(19,198)
Derecognition of financial assets	3,290	1,381	(36,896)	-	-	-	(1)	-	-	-	-	(32,226)
Recoveries of allowances on previously written-off assets**	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs	59	-	20,533	-	610	19	5	-	-	-	-	21,226
Foreign exchange differences	331	(1,052)	(12,382)	1	1,259	(570)	(211)	-	(68)	(3)	(39)	(12,734)
30 June 2018												
(unaudited)	(22,794)	(34,873)	(294,091)	(1,086)	(3,716)	(8,418)	(676)	(4)	(1,398)	(13)	(549)	(367,618)
Total			(351,758)			(13,220)			(2,078)	(13)	(549)	(367,618)

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

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	Loans to customers (Note 10)			Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
1 January 2018	(34,207)	(31,973)	(288,989)	(952)	(3,056)	(3,738)	(1,223)	(4)	(1,480)	(10)	(334)	(365,966)
Transfer to Stage 1	(607)	491	116	(2)	2	-	-	-	-	-	-	-
Transfer to Stage 2	2,544	(2,566)	22	25	(26)	1	-	-	-	-	-	-
Transfer to Stage 3	22,691	1,462	(24,153)	-	376	(376)	-	-	-	-	-	-
Changes in models/risk parameters	13,391	(3,573)	(11,333)	(179)	(2,588)	(4,227)	478	-	75	2	(166)	(8,120)
New originations or purchases of financial assets	(32,399)	-	-	-	-	-	34	-	-	-	-	(32,365)
Derecognition of financial assets	5,135	1,405	11,070	-	-	-	(1)	-	-	-	-	17,609
Recoveries of allowances on previously written-off assets**	-	-	(6,336)	-	-	-	-	-	-	-	-	(6,336)
Write-offs	59	-	22,152	1	649	631	17	-	6	-	-	23,515
Foreign exchange differences	599	(119)	3,360	21	927	(709)	19	-	1	(5)	(49)	4,045
30 June 2018 (unaudited)	(22,794)	(34,873)	(294,091)	(1,086)	(3,716)	(8,418)	(676)	(4)	(1,398)	(13)	(549)	(367,618)
Total			(351,758)			(13,220)			(2,078)	(13)	(549)	(367,618)

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

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

As at 30 June 2018, allowances for expected credit losses on POCI loans to customers were included into Stage 3.

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During the six months ended 30 June 2019 and 2018, the Group has written off loans of KZT 17,095 million and KZT 22,211 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

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

The movements in provisions were as follows:

	Three months ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(9)	(939)	(1,933)	(2,881)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Additional provisions recognized	(174)	(158)	(1,444)	(1,776)
Foreign exchange differences	2	(7)	(33)	(38)
At the end of the period	(181)	(1,104)	(3,410)	(4,695)

	Six months ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(152)	(1,061)	(1,333)	(2,546)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	38	(38)	-
Additional provisions recognized	(30)	(73)	(1,978)	(2,081)
Foreign exchange differences	1	(8)	(61)	(68)
At the end of the period	(181)	(1,104)	(3,410)	(4,695)

	Three months ended 30 June 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(259)	(1,404)	(15,314)	(16,977)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1)	(628)	629	-
Transfer to Stage 3	-	-	-	-
(Additional provisions recognized)/recoveries	(32)	(332)	1,356	992
Foreign exchange differences	36	(20)	(134)	(118)
At the end of the period	(256)	(2,384)	(13,463)	(16,103)

	Six months ended 30 June 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(129)	(13,539)	(4,783)	(18,451)
Transfer to Stage 1	(108)	108	-	-
Transfer to Stage 2	-	(629)	629	-
Transfer to Stage 3	-	11,598	(11,598)	-
(Additional provisions recognized)/recoveries	(58)	77	2,328	2,347
Foreign exchange differences	39	1	(39)	1
At the end of the period	(256)	(2,384)	(13,463)	(16,103)

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

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17. Taxation

The income tax expense comprises:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Current tax charge	8,620	1,944	20,075	17,067
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	798	45,094	(2,836)	40,130
Income tax expense	9,418	47,038	17,239	57,197

The Group's effective income tax rate for the six months ended 30 June 2019 was 9.5% (for the six months ended 30 June 2018: 12.7%). The difference between the effective and theoretical income tax rates (20%) for the six months ended 30 June 2019 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities.

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

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

18. Other liabilities

Other liabilities comprise:

	30 June 2019 (unaudited)	31 December 2018
Other financial liabilities:		
Salary payable	14,768	17,256
Liabilities on other payments	12,669	952
Creditors on non-banking activities	6,022	3,942
Creditors on bank activities	5,153	2,736
Lease liabilities	3,502	-
Payable for general and administrative expenses	2,876	1,183
Others	1,403	943
	46,393	27,012
Other non-financial liabilities:		
Taxes payable other than income tax	4,766	5,218
Other prepayments received	4,735	3,767
Amounts due to original investors on commercial property	3,974	2,958
	13,475	11,943
Total other liabilities	59,868	38,955

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

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19. Equity

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

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
30 June 2019 (unaudited)					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,766,376,370)	11,681,168,412
	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 December 2018					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,767,788,353)	11,679,756,429

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

	Number of shares Common	Nominal (placement) amount Common
31 December 2017	10,993,816,819	39,461
Purchases of treasury shares	(1,741,728)	(451)
Sale of treasury shares	2,458,241	284
30 June 2018 (unaudited)	10,994,533,332	39,294
31 December 2018	11,679,756,429	97,586
Purchases of treasury shares	(871,442)	(91)
Sale of treasury shares	2,283,425	212
30 June 2019 (unaudited)	11,681,168,412	97,707

Common shares

As at 30 June 2019 and 31 December 2018, share capital comprised KZT 209,027 million. As at 30 June 2019, the Group held 1,766,376,370 shares of the Group's common shares as treasury shares at KZT 111,320 million (31 December 2018 – 1,767,788,353 at KZT 111,441 million).

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

20. Commitments and contingencies

Financial commitments and contingencies

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

	30 June 2019 (unaudited)	31 December 2018
Guarantees issued	448,323	415,531
Commercial letters of credit	71,608	66,502
Commitments to extend credit	45,830	49,022
Financial commitments and contingencies	565,761	531,055
Less: cash collateral against letters of credit	(35,970)	(31,015)
Less: provisions (Note 16)	(4,695)	(2,546)
Financial commitments and contingencies, net	525,096	497,494

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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 2019, the ten largest guarantees accounted for 62% of the Group's total financial guarantees (as at 31 December 2018 – 67%) and represented 25% of the Group's total equity (as at 31 December 2018 – 26%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 30 June 2019, the ten largest unsecured letters of credit accounted for 50% of the Group's total commercial letters of credit (31 December 2018 – 55%) and represented 3% of the Group's total equity (31 December 2018 – 3%).

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

Capital commitments

As at 30 June 2019, the Group had commitments for capital expenditures in respect of construction in progress in the amount of KZT 406 million (31 December 2018 – KZT 736 million).

21. Net interest income

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Interest income:				
Loans to customers	109,501	108,577	217,263	209,535
Financial assets at fair value through other comprehensive income	28,718	26,138	60,043	53,252
Debt securities at amortized cost, net of allowance for expected credit losses	23,405	24,012	46,828	47,663
Amounts due from credit institutions and cash and cash equivalents	13,922	9,235	23,897	18,339
Other financial assets	2,588	1,525	4,509	3,253
Interest income calculated using effective interest method	178,134	169,487	352,540	332,042
Financial assets at fair value through profit or loss	1,767	1,519	3,544	2,697
Other interest income	1,767	1,519	3,544	2,697
Total interest income	179,901	171,006	356,084	334,739
Interest expense:				
Amounts due to customers	(54,961)	(61,728)	(111,338)	(124,443)
Debt securities issued	(18,827)	(20,073)	(45,125)	(44,097)
Amounts due to credit institutions	(1,212)	(912)	(2,042)	(1,790)
Other interest expense	(7,169)	-	(7,169)	-
Other financial liabilities	(81)	-	(150)	-
Total interest expense	(82,250)	(82,713)	(165,824)	(170,330)
Net interest income	97,651	88,293	190,260	164,409

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The total interest income calculated using the EIR method for financial assets at FVTOCI is KZT 28,718 million and KZT 60,043 million for the three and six months ended 30 June 2019, respectively (three and six months ended 30 June 2018: KZT 26,138 and KZT 53,252 million, respectively) and for financial assets measured at amortised cost is KZT 149,416 and KZT 292,497 million during the three and six months ended 30 June 2019 (three and six months ended 30 June 2018: KZT 143,349 million and KZT 278,790 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortised cost is KZT 82,250 million and KZT 165,824 million during the three and six months ended 30 June 2019 (three and six months ended 30 June 2018: KZT 82,713 million and KZT 170,330 million).

22. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Payment cards operations	15,392	12,408	28,849	25,238
Bank transfers - settlements	3,841	4,357	7,326	8,452
Cash operations	2,976	3,608	5,462	5,556
Letters of credit and guarantees issued	2,548	1,693	4,753	3,260
Servicing customers' pension payments	2,013	1,967	4,010	3,922
Bank transfers - salary projects	1,886	1,911	3,524	3,724
Maintenance of customer accounts	788	1,252	1,508	2,188
Other	1,267	816	2,252	2,046
Total fee and commission income	30,711	28,012	57,684	54,386

Fee and commission expense comprises the following:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Payment cards	(8,902)	(4,802)	(16,207)	(9,571)
Deposit insurance	(2,878)	(2,245)	(5,870)	(6,293)
Bank transfers	(343)	(602)	(632)	(758)
Cash operations	(308)	(249)	(498)	(418)
Commission paid to collectors	(101)	(112)	(168)	(209)
Other	(704)	(283)	(1,381)	(724)
Total fee and commission expense	(13,236)	(8,293)	(24,756)	(17,973)

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23. 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 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:				
Realized net loss on derivative operations	(6,641)	(5,113)	(4,931)	(6,651)
Unrealized net (loss)/gain on trading and derivative operations*	(741)	77,110	(18,989)	32,435
Realized net gain on trading operations	539	1,090	1,431	2,979
Total net (loss)/gain on operations with financial assets and liabilities classified as held for trading	(6,843)	73,087	(22,489)	28,763

*For the six months ended 30 June 2019, the loss occurred as a result of the strengthening of the tenge against the US dollar and relates to the revaluation of the cross-currency swap with NBRK.

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

Net foreign exchange gain/(loss) comprises:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Dealing, net	9,618	8,124	17,429	15,053
Translation differences, net	5,663	(68,611)	15,050	(20,115)
Total net foreign exchange gain/(loss)	15,281	(60,487)	32,479	(5,062)

25. Insurance underwriting income

Insurance underwriting income/(expense) comprised:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Insurance premiums written, gross	36,867	29,106	69,165	57,862
Ceded reinsurance share	(8,282)	(10,504)	(22,582)	(20,736)
Change in unearned insurance premiums, net	(122)	(1,136)	(2,543)	(5,007)
Total insurance underwriting income	28,463	17,466	44,040	32,119
Insurance reserves expenses	(10,685)	(3,630)	(13,974)	(6,728)
Commissions to agents	(10,023)	(7,333)	(16,118)	(13,240)
Insurance payments	(5,456)	(5,007)	(10,806)	(10,363)
Total insurance claims incurred, net of reinsurance	(26,164)	(15,970)	(40,898)	(30,331)
Net insurance income	2,299	1,496	3,142	1,788

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26. Operating expenses

Operating expenses comprised:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Salaries and other employee benefits	19,048	20,233	36,785	39,837
Depreciation and amortization expenses	3,167	2,834	5,836	5,618
Taxes other than income tax	1,803	1,791	3,468	3,252
Repairs and maintenance	1,147	1,663	1,826	2,781
Communication	1,059	939	1,921	1,967
Utilities expenses	1,053	903	2,035	1,718
Information services	1,028	933	2,021	1,712
Security	988	1,176	1,957	2,697
Insurance agent fees	969	292	1,880	926
Rent	911	1,278	1,636	2,562
Stationery and office supplies	397	418	710	757
Business trip expenses	375	321	591	550
Advertisement	357	452	610	864
Transportation	224	228	399	446
Professional services	193	339	316	900
Other	410	1,243	1,274	2,350
Total operating expenses	33,129	35,043	63,265	68,937

27. Earnings per share

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2019 (unaudited)	Three months ended 30 June 2018 (unaudited)	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Basic and diluted earnings per share				
Net profit for the period attributable to equity holders of the parent	89,727	24,121	164,229	86,174
Earnings attributable to common shareholders	89,727	24,121	164,229	86,174
Earnings for the period from continuing operations	89,727	23,224	164,229	82,692
Earnings for the period from discontinued operations	-	897	-	3,482
Weighted average number of common shares for the purposes of basic earnings per share	11,679,739,186	10,994,734,408	11,679,727,379	10,994,596,503
Basic and diluted earnings per share (in Tenge)	7.68	2.19	14.06	7.84
Basic and diluted earnings per share from continuing operations (in Tenge)	7.68	2.11	14.06	7.52
Basic and diluted earnings per share from discontinued operations (in Tenge)	-	0.08	-	0.32

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

Class of shares	Outstanding shares	Equity (as calculated per KASE rules)	30 June 2019 (unaudited)
			Book value of one share, in KZT
Common	11,681,168,412	1,118,776	95.78
		1,118,776	

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

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

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

28. Financial risk management

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

- Credit risk;
- Liquidity risk; and
- Market/currency risk

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

Credit risk

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

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

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

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

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

Liquidity Risk

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

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

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

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	30 June 2019 (unaudited)					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	2,110,149	1,035	-	-	-	2,111,184
Obligatory reserves	73,924	5,219	23,873	8,965	977	112,958
Financial assets at fair value through profit or loss	187,832	-	-	4,024	-	191,856
Amounts due from credit institutions	17,996	465	30,038	2,584	274	51,357
Financial assets at fair value through other comprehensive income	171,262	293,382	314,253	245,147	411,521	1,435,565
Debt securities at amortized cost, net of allowance for expected credit losses	79,576	337	4,515	504,749	500,767	1,089,944
Loans to customers	241,425	353,694	2,049,060	705,774	142,622	3,492,575
Other financial assets	28,379	3,782	2,009	45,197	14,637	94,004
	2,910,543	657,914	2,423,748	1,516,440	1,070,798	8,579,443
FINANCIAL LIABILITIES:						
Amounts due to customers	2,798,989	300,195	2,124,822	505,139	491,318	6,220,463
Amounts due to credit institutions	334,352	238	11,889	17,616	112,608	476,703
Financial liabilities at fair value through profit or loss	9,962	-	-	1,895	-	11,857
Debt securities issued	5,576	3,785	74,781	517,409	301,985	903,536
Lease liabilities	3,280	-	-	222	-	3,502
Other financial liabilities	34,650	3,462	3,658	1,112	9	42,891
	3,186,809	307,680	2,215,150	1,043,393	905,920	7,658,952
Net position	(276,266)	350,234	208,598	473,047	164,878	
Accumulated gap	(276,266)	73,968	282,566	755,613	920,491	

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	31 December 2018					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,755,138	-	-	-	-	1,755,138
Obligatory reserves	72,066	7,396	21,505	11,296	3,478	115,741
Financial assets at fair value through profit or loss	89,418	-	91,252	6,166	-	186,836
Amounts due from credit institutions	21,195	4,187	26,766	2,398	489	55,035
Financial assets at fair value through other comprehensive income	678,181	270,338	173,678	313,840	329,896	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	11,814	1,298	36,170	504,704	501,921	1,055,907
Loans to customers	243,746	355,008	2,026,943	677,369	178,013	3,481,079
Other financial assets	40,610	4,244	1,324	15,250	14,290	75,718
	2,912,168	642,471	2,377,638	1,531,023	1,028,087	8,491,387
FINANCIAL LIABILITIES:						
Amounts due to customers	3,889,116	376,688	1,419,536	589,345	252,245	6,526,930
Amounts due to credit institutions	35,645	372	3,913	15,196	113,253	168,379
Financial liabilities at fair value through profit or loss	2,473	16	4,330	203	-	7,022
Debt securities issued	13,751	3,785	66,768	493,465	323,022	900,791
Other financial liabilities	21,005	2,475	2,654	864	14	27,012
	3,961,990	383,336	1,497,201	1,099,073	688,534	7,630,134
Net position	(1,049,822)	259,135	880,437	431,950	339,553	
Accumulated gap	(1,049,822)	(790,687)	89,750	521,700	861,253	

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

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

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

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Currency Risk

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

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

The treasury department performs daily monitoring of the Group's open currency position with the aim to comply with the requirements of the regulatory authority.

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

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

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

	30 June 2019 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	859,750	117,101	27,996	233,481	1,238,328	872,856	2,111,184
Obligatory reserves	56,220	3,398	1,204	2,063	62,885	50,073	112,958
Financial assets at fair value through profit or loss	10,525	1,065	4,909	4,204	20,703	171,153	191,856
Amounts due from credit institutions	15,125	148	468	-	15,741	35,616	51,357
Financial assets at fair value through other comprehensive income	748,516	28,360	4,573	-	781,449	654,116	1,435,565
Debt securities at amortized cost, net of allowance for expected credit losses	369	-	5,150	5,117	10,636	1,079,308	1,089,944
Loans to customers	937,897	14,973	10,422	29,957	993,249	2,499,326	3,492,575
Other financial assets	5,633	1,228	337	702	7,900	86,104	94,004
	2,634,035	166,273	55,059	275,524	3,130,891	5,448,552	8,579,443
FINANCIAL LIABILITIES:							
Amounts due to customers	3,003,106	122,937	44,685	32,538	3,203,266	3,017,197	6,220,463
Amounts due to credit institutions	82,756	2,722	258	3,066	88,802	387,901	476,703
Financial liabilities at fair value through profit or loss	-	-	223	-	223	11,634	11,857
Debt securities issued	408,262	-	2	-	408,264	495,272	903,536
Other financial liabilities	2,489	797	656	1,675	5,617	40,776	46,393
	3,496,613	126,456	45,824	37,279	3,706,172	3,952,780	7,658,952
Net position – on balance	(862,578)	39,817	9,235	238,245	(575,281)	1,495,772	920,491
Net position – off-balance	924,974	(39,410)	(27,486)	(215,146)	642,932	(560,489)	
Net position	62,396	407	(18,251)	23,099	67,651	935,283	

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

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29. Segment analysis

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

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

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

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

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 30 June 2019 and for the six months then ended (unaudited)						
External revenues	129,579	148,438	47,392	113,579	74,479	513,467
Total revenues	129,579	148,438	47,392	113,579	74,479	513,467
Total revenues comprise:						
- Interest income	87,235	127,717	29,903	111,138	91	356,084
- Fee and commission income, including:	39,550	6,787	11,067	-	280	57,684
<i>Payment cards operations</i>	28,412	32	332	-	73	28,849
<i>Bank transfers - settlements</i>	2,568	1,269	3,457	-	32	7,326
<i>Cash operations</i>	731	930	3,789	-	12	5,462
<i>Letters of credit and guarantees issued</i>	9	3,894	829	-	21	4,753
<i>Servicing customers' pension payments</i>	4,010	-	-	-	-	4,010
<i>Bank transfers - salary projects</i>	3,524	-	-	-	-	3,524
<i>Maintenance of customer accounts</i>	119	61	1,328	-	-	1,508
<i>Other</i>	177	601	1,332	-	142	2,252
NET REALISED GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	2,399	-	2,399
- Net gain on foreign exchange operations	2,794	13,934	6,422	42	9,287	32,479
- Share in profit of associate	-	-	-	-	3,197	3,197
- Insurance underwriting income and other income	-	-	-	-	61,624	61,624
Total revenues	129,579	148,438	47,392	113,579	74,479	513,467
- Interest expense	(69,425)	(45,479)	(5,652)	(45,125)	(143)	(165,824)
- Credit loss expense	(318)	(6,458)	(3,957)	(251)	(1,702)	(12,686)
- Fee and commission expense	(21,908)	(1,669)	(293)	(82)	(804)	(24,756)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(19,378)	-	(3,111)	-	(22,489)
- Operating expenses	(36,123)	(4,656)	(6,098)	(391)	(15,997)	(63,265)
- Recoveries of other credit loss expense/(other credit loss expense)	18	(1,679)	(396)	-	(24)	(2,081)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(40,898)	(40,898)
Total expenses	(127,756)	(79,319)	(16,396)	(48,960)	(59,568)	(331,999)
Segment result	1,823	69,119	30,996	64,619	14,911	181,468
Income before income tax expense						181,468
Income tax expense					(17,239)	(17,239)
Net profit						164,229
Total segment assets	872,414	4,371,265	537,482	2,578,301	699,687	9,059,149
Total segment liabilities	3,291,984	2,706,667	816,260	903,536	213,107	7,931,554
Other segment items:						
Capital expenditures					(7,780)	(7,780)
Depreciation and amortization					(5,836)	(5,836)
Investments in associate					24,252	24,252

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	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the six months ended 30 June 2018 (unaudited)						
External revenues	143,473	125,495	42,446	111,936	54,895	478,245
Total revenues	143,473	125,495	42,446	111,936	54,895	478,245
Total revenues comprise:						
- Interest income	84,003	117,545	29,578	103,613	-	334,739
- Fee and commission income	37,836	4,810	9,715	1,236	789	54,386
- Net gain from financial assets and liabilities at fair value through profit or loss	20,834	2,197	2,308	4,075	(651)	28,763
- Net realised gain/(loss) from financial assets at fair value through other comprehensive income	-	-	-	2,960	-	2,960
- Insurance underwriting income and other income	-	-	-	55	54,290	54,345
- Share in profit of associate	-	-	-	-	705	705
- Recoveries of other credit loss expense/(other credit loss expense)	800	943	845	(3)	(238)	2,347
Total revenues	143,473	125,495	42,446	111,936	54,895	478,245
- Interest expense	(79,588)	(41,104)	(5,541)	(44,097)	-	(170,330)
- (Credit loss expense)/recovery of credit loss expense	(14,363)	13,746	(10,322)	431	(12,368)	(22,876)
- Fee and commission expense	(6,367)	(591)	(378)	(168)	(10,469)	(17,973)
- Operating expenses	(38,372)	(6,525)	(11,123)	(2,740)	(10,177)	(68,937)
- Loss from impairment of non-financial assets	-	-	-	-	(30,308)	(30,308)
- Net (loss)/gain on foreign exchange operations	(10,342)	3,968	1,848	(3,668)	3,132	(5,062)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(30,331)	(30,331)
Total expenses	(149,032)	(30,506)	(25,516)	(50,242)	(90,521)	(345,817)
Segment result	(5,559)	94,989	16,930	61,694	(35,626)	132,428
Income before income tax expense						132,428
Income tax expense					(57,197)	(57,197)
Profit for the period from discontinued operation					9,974	9,974
Net profit						85,205
31 December 2018:						
Total segment assets	852,537	3,886,875	570,144	2,910,825	738,643	8,959,024
Total segment liabilities	3,342,535	2,409,386	907,574	900,790	333,093	7,893,378
Other segment items:						
Capital expenditures					(1,541)	(1,541)
Depreciation and amortization					(2,784)	(2,784)
Investments in associate						20,437

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Geographical information

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

	Kazakhstan	OECD	Non-OECD	Total
30 June 2019 (unaudited)				
Total assets	7,636,091	1,243,355	179,703	9,059,149
31 December 2018				
Total assets	8,060,035	686,565	212,424	8,959,024
Six months ended				
30 June 2019 (unaudited)				
External revenues	481,205	23,385	8,877	513,467
Capital expenditures	(7,780)	-	-	(7,780)
Six months ended				
30 June 2018 (unaudited)				
External revenues	455,098	10,828	12,319	478,245
Capital expenditures	(3,337)	-	-	(3,337)

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

30. Fair values of financial instruments

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

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

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

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

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

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

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

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Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (unaudited)	31 December 2018				
Non-derivative financial assets at fair value through profit or loss (Note 6)	107,642	88,825	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	160	158	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	213	2,582	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	83,841	95,271	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to nil at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	191,856	186,836				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	11,857	7,022	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	11,857	7,022				

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Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2019 (unaudited)	31 December 2018				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	1,433,310	1,763,715	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 8)	2,202	2,165	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 8)	53	53	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	1,435,565	1,765,933				

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

	Financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehensive income Unquoted equity securities (Level 3)	Derivative financial liabilities at fair value through profit or loss (Level 3)
31 December 2017	39,576	18	492
Gain to profit or loss	29,473	6	500
30 June 2018 (unaudited)	69,049	24	992
31 December 2018	95,271	53	-
Loss to profit or loss	(11,430)	-	-
30 June 2019 (unaudited)	83,841	53	-

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

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

Amounts due from and to credit institutions

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

Loans to customers

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

Amounts due to customers

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

Debt securities issued

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

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(millions of Kazakhstani Tenge)

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

	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	51,357	61,993	55,035	54,966
Loans to customers	3,492,575	3,274,694	3,481,079	3,474,191
Debt securities at amortized cost, net of allowance for expected credit losses	1,089,944	1,114,079	1,055,907	1,088,278
Financial liabilities				
Amounts due to customers	6,220,463	6,263,394	6,526,930	6,692,308
Amounts due to credit institutions	476,703	506,850	168,379	153,758
Debt securities issued	903,536	899,721	900,791	968,989

	30 June 2019 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	61,993	-	61,993
Loans to customers	-	-	3,274,694	3,274,694
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,114,079	-	1,114,079
Financial liabilities				
Amounts due to customers	-	6,263,394	-	6,263,394
Amounts due to credit institutions	-	506,850	-	506,850
Debt securities issued	899,721	-	-	899,721
31 December 2018				
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	54,966	-	54,966
Loans to customers	-	-	3,474,191	3,474,191
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,088,278	-	1,088,278
Financial liabilities				
Amounts due to customers	-	6,692,308	-	6,692,308
Amounts due to credit institutions	-	153,758	-	153,758
Debt securities issued	968,989	-	-	968,989

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

31. Related party transactions

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

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

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

	30 June 2019 (unaudited)		31 December 2018	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	653	3,909,256	1,746	3,890,872
- entities with joint control or significant influence over the entity	634		1,640	
- key management personnel of the entity or its parent	3		86	
- other related parties	16		20	
Allowance for expected credit losses	(3)	(416,681)	(18)	(409,793)
- entities with joint control or significant influence over the entity	(1)		(16)	
- key management personnel of the entity or its parent	(1)		(1)	
- other related parties	(1)		(1)	
Amounts due to customers	275,954	6,220,463	252,136	6,526,930
- the parent	157,315		69,882	
- entities with joint control or significant influence over the entity	3,658		9,480	
- key management personnel of the entity or its parent	9,641		11,076	
- other related parties	105,340		161,698	

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

	Six months ended 30 June 2019 (unaudited)		Six months ended 30 June 2018 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income calculated using effective interest method	41	352,540	192	332,042
- entities with joint control or significant influence over the entity	40		66	
- key management personnel of the entity or its Parent	-		-	
- other related parties	1		126	
Other interest income	-	3,544	-	2,697
Interest expense	(2,266)	(165,824)	(1,024)	(170,330)
- the Parent	(676)		(248)	
- entities with joint control or significant influence over the entity	(70)		(3)	
- key management personnel of the entity or its Parent	(60)		(110)	
- other related parties	(1,460)		(663)	

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	<u>Six months ended</u> <u>30 June 2019 (unaudited)</u>		<u>Six months ended</u> <u>30 June 2018 (unaudited)</u>	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
- short-term employee benefits	2,041	36,785	2,742	39,837
	2,041		2,742	

32. Subsequent events

On 3 July 2019, the Bank and NBRK closed a one-year cross-currency swap deal existing as at 30 June 2019 and at the same concluded another one-year cross-currency swap deal for the notional amount of KZT 348,338 million. The purpose of the deal is the placement of excess foreign currency liquidity.

On 10 July 2019, the Bank established the subsidiary bank JSC "Tenge Bank" in the Republic of Uzbekistan with a capital injection of UZS 118 billion (KZT 5 billion).