

JSC HALYK BANK

Interim Condensed Consolidated Financial Information

For the nine months ended
30 September 2014 (unaudited)

JSC HALYK BANK

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JSC HALYK BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 September 2014, the results of its operations for the three and nine months then ended, and cash flows and changes in equity for the nine months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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


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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2014 was authorized for issue by the Management Board on 19 November 2014.

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

19 November 2014
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant

19 November 2014
Almaty, Kazakhstan



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

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 September 2014 and the related interim consolidated statements of profit or loss, and other comprehensive income for the three and nine months then ended, and interim consolidated statements of changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 ("IAS"), "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

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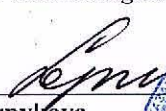
19 November 2014
Almaty, Kazakhstan

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (UNAUDITED) (Millions of Kazakhstani Tenge)

	Notes	30 September 2014 (unaudited)	31 December 2013
ASSETS			
Cash and cash equivalents	5	744,926	486,313
Obligatory reserves	6	51,980	44,276
Financial assets at fair value through profit or loss	7	2,252	1,334
Amounts due from credit institutions	8	35,958	25,808
Available-for-sale investment securities	9	375,342	350,552
Precious metals		1,446	16,857
Loans to customers	10, 31	1,515,908	1,482,245
Property and equipment		63,378	63,614
Assets held-for-sale		8,717	2,912
Goodwill		3,085	3,085
Intangible assets		5,006	5,617
Insurance assets	11	19,403	13,379
Other assets	12	16,956	10,422
TOTAL ASSETS		2,844,357	2,506,414
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	1,966,780	1,766,648
Amounts due to credit institutions	14	130,047	107,395
Financial liabilities at fair value through profit or loss	7	280	69
Debt securities issued	15	220,490	189,515
Provisions	16	36	4,163
Deferred tax liability	17	9,274	4,520
Insurance liabilities	11	39,212	29,715
Other liabilities	18	16,006	12,210
Total liabilities		2,382,125	2,114,235
EQUITY			
Share capital	19	143,695	143,695
Share premium reserve		1,490	1,415
Treasury shares		(78,993)	(77,534)
Retained earnings and other reserves		396,040	323,670
Total equity		462,232	392,179
Non-controlling interest	2	-	933
TOTAL LIABILITIES AND EQUITY		2,844,357	2,506,414

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

19 November 2014
Almaty, Kazakhstan


Pavel A. Chussov
Chief Accountant

19 November 2014
Almaty, Kazakhstan

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

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

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

	Notes	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Interest income	21, 31	52,884	46,832	156,472	134,262
Interest expense	21, 31	(20,003)	(18,861)	(58,785)	(57,188)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	21	32,881	27,971	97,687	77,074
Recovery of provision/(impairment charge) on interest earning and other assets	16	947	(6,638)	(413)	(13,175)
NET INTEREST INCOME		33,828	21,333	97,274	63,899
Fee and commission income	22	12,042	15,003	45,907	36,946
Fee and commission expense		(2,032)	(2,166)	(6,168)	(5,394)
Fees and commissions, net		10,010	12,837	39,739	31,552
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	23	2,466	(188)	2,400	930
Net realized gain from available-for-sale investment securities		260	242	319	310
Net gain on foreign exchange operations	24	259	3,380	6,160	6,025
Insurance underwriting income	25	6,327	3,363	14,158	16,171
Other income		994	355	3,126	1,144
OTHER NON-INTEREST INCOME		10,306	7,152	26,163	24,580
Operating expenses (Additional provisions recognized)/recovery of provision	26 16	(14,934) (24)	(13,032) 598	(43,257) 4,048	(40,080) 413
Insurance claims incurred, net of reinsurance	25	(4,845)	(2,245)	(10,977)	(12,333)
NON-INTEREST EXPENSES		(19,803)	(14,679)	(50,186)	(52,000)
INCOME BEFORE INCOME TAX EXPENSE		34,341	26,643	112,990	68,031
Income tax expense	17	(6,380)	(4,644)	(20,993)	(11,858)
NET INCOME		27,961	21,999	91,997	56,173
Attributable to:					
Non-controlling interest		(384)	131	-	171
Preferred shareholders		483	386	1,591	916
Common shareholders		27,862	21,482	90,406	55,086
		27,961	21,999	91,997	56,173
Basic earnings per share (in Kazakhstani Tenge)	27	2.55	1.97	8.27	4.93
Diluted earnings per share (in Kazakhstani Tenge)	27	1.63	1.02	7.36	4.03

On behalf of the Management Board

Aliya S. Karpykova
Acting Chairperson of the Board

19 November 2014
Almaty, Kazakhstan



Pavel A. ...
Chief Accountant

19 November 2014
Almaty, Kazakhstan



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

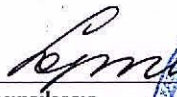
JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)


	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Net income	27,961	21,999	91,997	56,173
Other comprehensive income/(loss), net of tax:				
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Gain/(loss) on revaluation of property, (net of tax – Nil tenge)	-	1	97	(53)
<i>Items to be subsequently reclassified to profit or loss:</i>				
(Loss)/gain on revaluation of available-for-sale investment securities (net of tax – Nil tenge)	(1,704)	1,031	218	(6,821)
Gain on sale of available-for-sale investment securities (net of tax – Nil tenge)	(260)	(242)	(319)	(310)
Exchange differences on translation of foreign operations (net of tax – Nil tenge)	(1,032)	185	703	(264)
Other comprehensive (loss)/income for the period, net of tax	(2,996)	975	699	(7,448)
Total comprehensive income for the period	24,965	22,974	92,696	48,725
Attributable to:				
Non-controlling interest	(382)	133	-	182
Preferred shareholders	432	404	1,603	794
Common shareholders	24,915	22,437	91,093	47,749
	24,965	22,974	92,696	48,725

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

19 November 2014
Almaty, Kazakhstan




Pavel A. Zheusssov
Chief Accountant

19 November 2014
Almaty, Kazakhstan



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

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Common shares	Share capital		Share premium reserve	Treasury shares		Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
		Non-convertible preferred shares	Convertible preferred shares		Common shares	Preferred shares							
31 December 2013	83,571	46,891	13,233	1,415	(39,974)	(37,560)	602	1,790	13,808	307,470	391,246	933	392,179
Net income	-	-	-	-	-	-	-	-	-	91,997	91,997	-	91,997
Other comprehensive income / (loss)	-	-	-	-	-	-	703	(101)	97	-	699	-	699
Total comprehensive income / (loss)	-	-	-	-	-	-	703	(101)	97	91,997	92,696	-	92,696
Treasury shares purchased	-	-	-	(124)	(3)	(1,461)	-	-	-	-	(1,588)	-	(1,588)
Treasury shares sold **	-	-	-	199	5	-	-	-	-	-	204	-	204
Dividends paid – preferred shares	-	-	-	-	-	-	-	-	-	(1,757)	(1,757)	-	(1,757)
Dividends paid – common shares	-	-	-	-	-	-	-	-	-	(18,547)	(18,547)	-	(18,547)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(401)	(401)
Decrease in non-controlling interest due to buy-back of JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan shares	-	-	-	-	-	-	-	-	-	-	-	(532)	(532)
Loss from buy-back of JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan shares	-	-	-	-	-	-	-	-	-	(22)	(22)	-	(22)
Release of property revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(320)	320	-	-	-
30 September 2014 (unaudited)	83,571	46,891	13,233	1,490	(39,972)	(39,021)	1,305	1,689	13,585	379,461	462,232	-	462,232

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares		Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
	Common Shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares							
31 December 2012	83,571	46,891	13,233	1,496	(39,974)	(41,054)	1,122	8,926	14,754	249,033	337,998	1,641	339,639
Net income	-	-	-	-	-	-	-	-	-	56,002	56,002	171	56,173
Other comprehensive (loss)/income	-	-	-	-	-	-	(264)	(7,142)	(53)	-	(7,459)	11	(7,448)
Total comprehensive (loss)/income	-	-	-	-	-	-	(264)	(7,142)	(53)	56,002	48,543	182	48,725
Treasury shares purchased	-	-	-	(239)	(8)	-	-	-	-	-	(247)	-	(247)
Treasury shares sold **	-	-	-	137	5	3,494	-	-	-	-	3,636	-	3,636
Dividends paid – preferred shares	-	-	-	-	-	-	-	-	-	(2,197)	(2,197)	-	(2,197)
Dividends paid – common shares	-	-	-	-	-	-	-	-	-	(12,215)	(12,215)	-	(12,215)
Release of property revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(307)	307	-	-	-
30 September 2013 (unaudited)	83,571	46,891	13,233	1,394	(39,977)	(37,560)	858	1,784	14,394	290,930	375,518	1,823	377,341

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

** Sale of treasury shares is disclosed in Note 19

On behalf of the Management Board

Aliya S. Karpykova
Acting Chairperson of the Board

19 November 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

19 November 2014
Almaty, Kazakhstan

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

JSC HALYK BANK

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)


	Notes	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from cash equivalents and amounts due from credit institutions		4,099	2,463
Interest received from financial assets at fair value through profit or loss		44	22
Interest received on available-for-sale investment securities		10,227	11,867
Interest received on investments held-to-maturity		-	1,539
Interest received from loans to customers		118,632	98,280
Interest paid on due to customers		(48,362)	(42,029)
Interest paid on due to credit institutions		(1,348)	(724)
Interest paid on debt securities issued		(10,588)	(14,573)
Fee and commission received		47,187	38,306
Fee and commission paid		(6,168)	(5,394)
Insurance underwriting income received		7,564	26,904
Ceded insurance share paid		(5,100)	(10,470)
Other income received		2,611	7,849
Operating expenses paid		(36,707)	(33,457)
Insurance reimbursements paid		(9,083)	(6,062)
Reimbursements of losses due to reinsurance risks received		-	833
		<hr/>	<hr/>
Cash flows from operating activities before changes in net operating assets		73,008	75,354
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(7,704)	3,618
Financial assets at fair value through profit or loss		(302)	(1,245)
Amounts due from credit institutions		(9,126)	4,507
Precious metals		16,151	(1,938)
Loans to customers		98,951	(104,332)
Assets held for sale		(5,805)	3,836
Insurance assets		(2,074)	(466)
Other assets		(7,330)	(1,473)
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss		209	1,014
Amounts due to customers		55,495	42,922
Amounts due to credit institutions		17,929	20,761
Insurance liabilities		15,258	(704)
Other liabilities		1,363	271
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Net cash inflow from operating activities before income tax		246,023	42,125
Income tax paid		(17,776)	(11,771)
		<hr/>	<hr/>
Net cash inflow from operating activities		228,247	30,354
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayment for property and equipment and intangible assets		(2,548)	(4,135)
Proceeds on sale of property and equipment		346	537
Purchase of available-for-sale investment securities		(63,215)	(102,506)
Proceeds on sale of available-for-sale investment securities		75,263	87,471
Purchase of investments held to maturity		-	(1,572)
Proceeds from redemption of investments held to maturity		-	3,267
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Net cash inflow/(outflow) from investing activities		9,846	(16,938)

JSC HALYK BANK

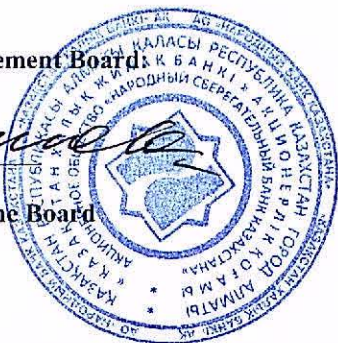
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED) (Millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from sale of treasury shares		204	3,636
Purchase of treasury shares		(1,588)	(247)
Dividends paid – preferred shares		(1,757)	(2,197)
Dividends paid – common shares		(18,547)	(12,215)
Dividends paid – non-controlling interest		(401)	-
Buy-back of non-controlling interest's shares		(554)	-
Redemption and repayment of debt securities issued		-	(40,765)
Net cash outflow from financing activities		(22,643)	(51,788)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		43,163	7,483
Net change in cash and cash equivalents		258,613	(30,889)
CASH AND CASH EQUIVALENTS, beginning of the period	5	486,313	533,499
CASH AND CASH EQUIVALENTS, end of the period	5	744,926	502,610

On behalf of the Management Board


Aliya S. Karpykova
Acting Chairperson of the Board

19 November 2014
Almaty, Kazakhstan




Pavel A. Chrussov
Chief Accountant

19 November 2014
Almaty, Kazakhstan



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

JSC HALYK BANK

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED) (Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank (“the Bank”) and its subsidiaries (collectively – “the Group”) provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, 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 the license No. 10 for carrying out banking and other operations and activities on the securities market, renewed by the Committee for Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (“FMSC” – previously known as Agency for Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan) on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by JSC Kazakhstan Deposit Insurance Fund.

The Bank’s primary business includes originating loans and guarantees, 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 channelling various budgetary payments and pensions through its nationwide branch network.

Trust activities

In the normal course of its business, the Group enters into agreements with its customers to manage the customers’ assets with limited decision-making rights and in accordance with specific criteria established by the customers. The Group may only be liable for losses or actions aimed at appropriation of the customers’ funds if such funds or securities are not returned to the customer. The maximum potential financial risk of the Group on any date is equal to the volume of the customers’ funds, net of any unrealized income/loss on the customer’s position. The balance of the customers’ funds under the management of the Group, as at 30 September 2014 is KZT Nil billion (31 December 2013 - KZT 1,234 billion).

Legal proceedings

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

Operating environment

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

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

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

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

As at 30 September 2014 and 31 December 2013, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	30 September 2014 (unaudited)					
	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non- convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.35%	20,767,568	11.0%
JSC Single Accumulated Pension Fund*	868,889,272	7.8%	709,384,310	6.5%	159,504,962	84.3%
GDR	1,852,898,400	16.7%	1,852,898,400	17.0%	-	-
Other	354,195,887	3.2%	345,206,103	3.15%	8,989,784	4.7%
Total shares in circulation (on consolidated basis)	11,100,132,627	100%	10,910,870,313	100%	189,262,314	100%
	31 December 2013					
	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non- convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan **	758,082,743	6.8%	661,367,710	6.1%	96,715,033	49.5%
GDR	2,093,909,040	18.9%	2,093,909,040	19.2%	-	-
Other	228,090,752	2.0%	150,042,269	1.3%	78,048,483	39.9%
Total shares in circulation (on consolidated basis)	11,104,231,603	100%	10,908,700,519	100%	195,531,084	100%

* The transfer of all pension assets under management of the private accumulative pension funds to the JSC Single Accumulated Pension Fund (hereinafter – SAPF) was conducted in accordance with the schedule and order approved by the Decree of the Chairman of the National Bank of the Republic of Kazakhstan No. 356 dated 24 September 2013. As a result, as at 30 September 2014 SAPF held 7.8% of the Bank’s shares outstanding on behalf of its clients.

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

As at 30 September 2014, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 394 cash settlement units (as at 31 December 2013 – 22, 122, 400, respectively) located throughout Kazakhstan. The address of the Bank’s registered office is: 109 V Abai Avenue, Almaty, 050008, Republic of Kazakhstan.

As at 30 September 2014, the number of the Group’s full-time equivalent employees was 10,777 (31 December 2013 – 11,198).

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2014 was authorized for issue by the Management Board on 19 November 2014.

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 2013 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 2013 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 2013 prepared in accordance with IFRS. In management’s opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiary	Holding, %		Country	Industry
	30 September 2014 (unaudited)	31 December 2013		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.*	100	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC “Halyk Collection”	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Kazakhinstrakh	100	100	Kazakhstan	Insurance
OJSC NBK-Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
JSC Accumulated Pension fund of Halyk Bank of Kazakhstan (“APF of Halyk Bank”)	100**	96	Kazakhstan	Pension assets accumulation and management
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and bad assets

* As at 30 September 2014 the Board of Directors of the Bank made a decision on voluntary liquidation of HSBK (Europe) B.V. in Netherlands, the subsidiary of the Bank. Liquidation procedure started on 9 October 2014. In accordance with the legislation of Netherlands waiting period of two months should take place and fillings in authorized bodies of Netherlands will take additional two-three weeks after that. The liquidation is expected to be finalized in December 2014 – January 2015.

**During the third quarter 2014 JSC “APF of Halyk Bank” performed the buy-back of its shares. Holding percentage of the Bank in JSC “APF of Halyk Bank” changed accordingly.

On 23 January 2013, the President of the Republic of Kazakhstan Nursultan Nazarbayev declared that it’s necessary to establish a national single pension fund with subsequent transfer of all pension assets under management of the private accumulative pension funds to the national single pension fund. In accordance with the Decree of Chairman of the National Bank of the Republic of Kazakhstan No. 356 dated 24 September 2013, the schedule of transfer of pension assets under management to the single accumulated pension fund was approved. As at 30 September 2014, JSC “APF of Halyk Bank” completed the transfer of pension assets under its management to the JSC Single accumulated pension fund.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim condensed consolidated financial information, the Group 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 2013. There were no changes in accounting policies during nine months ended 30 September 2014.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as at 1 January 2014, which are relevant for interim financial reporting.

IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” (Amendment)

These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

IAS 32 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities” (Amendment)

These amendments have no impact on the Group.

IAS 39 “Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting” (Amendment)

These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

IAS 36 “Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets” (Amendment)

These amendments have no impact on the Group.

IFRIC 21 Levies (Interpretation)

These interpretations have no impact on the Group.

4. SIGNIFICANT ACCOUNTING ESTIMATES

In preparing this interim condensed consolidated financial information, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2013 prepared in accordance with IFRS.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 September 2014 (unaudited)	31 December 2013
Cash on hand	75,658	80,752
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries ("OECD") based banks	31,305	91,265
Overnight deposits with OECD based banks	45,475	59,122
Short-term deposits with OECD based banks	329,004	135,253
Correspondent accounts with the National Bank of Republic of Kazakhstan ("NBK")	237,680	83,769
Short-term deposits with Kazakhstan banks (loans under reverse repurchase agreements)	16,257	32,326
Correspondent accounts with non-OECD based banks	7,947	2,159
Short-term deposits with non-OECD based banks	1,600	1,643
Overnight deposits with non-OECD based banks	-	24
	<u>744,926</u>	<u>486,313</u>

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

	30 September 2014 (unaudited)		31 December 2013	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.04%-0.06%	-	0.02%-0.1%
Short-term deposits with OECD based banks	5.3%	0.1%-0.3%	6.9%	0.1%-0.2%
Short-term deposits with Kazakhstan banks	1.7%-8.0%	-	2.0%-6.0%	-
Short-term deposits with non-OECD based bank	-	2.0%-3.3%	-	1.0%-4.5%
Overnight deposits with non-OECD based banks	-	-	-	2.3%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements within short-term deposits with Kazakhstan banks as at 30 September 2014 and 31 December 2013 are presented as follows:

	30 September 2014 (unaudited)		31 December 2013	
	Carrying value of deposits	Fair value of collateral	Carrying value of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	16,041	17,247	32,279	48,936
Equity securities of Kazakhstan banks	216	303	47	47
	<u>16,257</u>	<u>17,550</u>	<u>32,326</u>	<u>48,983</u>

As at 30 September 2014 and 31 December 2013, maturities of loans under reverse repurchase agreements were less than 1 month.

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 September 2014 (unaudited)	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:		
Due from Banks allocated to obligatory reserves	<u>51,980</u>	<u>44,276</u>
	<u>51,980</u>	<u>44,276</u>

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by National Banks of Kazakhstan, Kyrgyzstan and Georgia and Central Bank of Russian Federation and used for calculation of the minimum reserve requirements. As at 30 September 2014 obligatory reserves of OJSC Halyk Bank Kyrgyzstan, OJSC NBK Bank and JSC Halyk Bank Georgia comprised KZT 999 million (31 December 2013 – KZT 383 million).

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

Financial assets at fair value through profit or loss comprise:

	30 September 2014 (unaudited)	31 December 2013
Financial assets held for trading:		
Derivative financial instruments	959	391
Corporate bonds	731	402
Bonds of Kazakhstan banks	173	119
Bonds of JSC Development Bank of Kazakhstan	161	139
Bonds of foreign organizations	122	184
Equity securities of Kazakhstan banks	69	61
Equity securities of foreign corporations	24	18
Equity securities of Kazakhstan corporations	<u>13</u>	<u>20</u>
	<u>2,252</u>	<u>1,334</u>

Financial liabilities at fair value through profit or loss comprise:

	30 September 2014 (unaudited)	31 December 2013
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	280	69

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

	30 September 2014 (unaudited) Interest rate, %	31 December 2013 Interest rate, %
Corporate bonds	6.0%	5.3%
Bonds of JSC Development Bank of Kazakhstan	5.2%	5.3%
Bonds of Kazakhstan banks	11.7%	12.3%
Bonds of foreign organizations	6.8%	10.0%

Derivative financial instruments comprise:

	30 September 2014 (unaudited)			31 December 2013		
	Nominal amount	Fair value		Nominal amount	Fair value	
Foreign currency contracts:		Asset	Liability		Asset	Liability
Swaps	91,850	883	274	53,401	122	69
Forwards	20,047	76	6	15,116	18	-
Options	-	-	-	3,961	251	-
		<u>959</u>	<u>280</u>		<u>391</u>	<u>69</u>

As at 30 September 2014 and 31 December 2013, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 September 2014 (unaudited)	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:		
Loans to credit institutions	17,511	14,322
Term deposits	15,717	8,593
Deposit pledged as collateral for derivative financial instruments	<u>2,730</u>	<u>2,898</u>
	35,958	25,813
Less - Allowance for loan impairment (Note 16)	<u>-</u>	<u>(5)</u>
	<u>35,958</u>	<u>25,808</u>

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

	30 September 2014 (unaudited)		31 December 2013	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans to credit institutions	2.0%-8.2%	2014-2017	8.2%-17.0%	2015-2020
Term deposits	1.0%-9.0%	2014-2017	0.5%-9.0%	2014-2015
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2014-2017	0.2%-1.8%	2014

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 September 2014 (unaudited)	31 December 2013
Treasury bills of the Ministry of Finance of Kazakhstan	131,149	98,932
Corporate bonds	111,301	91,971
Securities of foreign organizations	53,676	87,562
Bonds of JSC Development Bank of Kazakhstan	20,596	19,363
Treasury bills of Republic of Poland	17,324	-
Treasury bills of the Russian Federation	16,902	28,909
Bonds of Kazakhstan banks	12,596	13,958
Equity securities of Kazakhstan banks	4,536	156
Local municipal bonds	3,870	4,019
Treasury bills of Georgia	1,565	562
Equity securities of foreign corporations	1,463	1,683
Treasury bills of USA	364	-
Equity securities of Kazakhstan corporations	-	3,075
Treasury bills of Kyrgyz Republic	-	340
Mutual investment fund shares	-	22
	<u>375,342</u>	<u>350,552</u>

As at 30 September 2014 and 31 December 2013, available-for-sale investment securities included Treasury bills of the Ministry of Finance of Kazakhstan and NBK Notes in the amount of KZT 31,490 million and KZT 73,110 million, respectively, were pledged under repurchase agreements with other banks (see Note 14).

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

	30 September 2014 (unaudited)		31 December 2013	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	5.3%	2014-2030	4.9%	2014-2027
Corporate bonds	6.6%	2014-2023	7.0%	2014-2021
Securities of foreign organizations	3.9%	2014-2022	3.9%	2014-2021
Bonds of JSC Development Bank of Kazakhstan	4.9%	2015-2026	4.9%	2015-2026
Treasury bills of Republic of Poland	2.2%	2019	-	-
Treasury bills of the Russian Federation	2.4%	2018-2021	2.7%	2015-2018
Bonds of Kazakhstan banks	10.0%	2014-2023	9.3%	2014-2030
Local municipal bonds	4.9%	2015	4.9%	2015
Treasury bills of Georgia	11.9%	2016-2024	12.8%	2016-2017
Treasury bills of USA	0.3%	2016	-	-
Treasury bills of Kyrgyz Republic	9.5%	2014	8.9%	2014

10. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 September 2014 (unaudited)	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,791,915	1,803,471
Overdrafts	587	2,085
	<u>1,792,502</u>	<u>1,805,556</u>
Less – Allowance for loan impairment (Note 16)	<u>(276,594)</u>	<u>(323,311)</u>
	<u>1,515,908</u>	<u>1,482,245</u>

Weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 30 September 2014, average interest rate on loans was 12.1% (as at 31 December 2013 – 11.7%)

As at 30 September 2014, the Group's loan concentration to the ten largest borrowers was KZT 353,657 million, which comprised 20% of the Group's total gross loan portfolio (as at 31 December 2013 – KZT 367,782 million; 20%) and 77% of the Group's total equity (as at 31 December 2013 – 94%).

As at 30 September 2014, an allowance for loan impairment amounting to KZT 46,783 million was made against these loans (as at 31 December 2013 – KZT 51,189 million).

As at 30 September 2014 and 31 December 2013, loans were extended to the customers operating in the following sectors:

	30 September 2014 (unaudited)	%	31 December 2013	%
Retail loans:				
- consumer loans	328,461	18%	291,471	16%
- mortgage loans	120,238	7%	107,062	6%
	448,699		398,533	
Wholesale trade	341,311	19%	341,489	19%
Services	226,058	13%	233,492	13%
Construction	150,198	8%	163,615	9%
Real estate	131,067	7%	137,200	8%
Agriculture	105,937	6%	84,934	5%
Retail trade	100,042	6%	117,816	7%
Financial services	69,858	4%	94,702	5%
Transportation	41,600	2%	40,145	2%
Mining	37,079	2%	38,050	2%
Hotel industry	30,570	2%	31,549	2%
Food industry	25,057	2%	33,929	2%
Metallurgy	22,201	1%	39,276	2%
Communication	17,417	1%	339	0%
Chemical industry	8,993	1%	10,604	1%
Machinery	4,933	0%	7,878	0%
Light industry	4,192	0%	4,503	0%
Energy	2,611	0%	3,403	0%
Oil and gas	2,170	0%	6,005	0%
Other	22,509	1%	18,094	1%
	<u>1,792,502</u>	<u>100%</u>	<u>1,805,556</u>	<u>100%</u>

As at 30 September 2014, the amount of accrued interest on loans comprised KZT 121,635 million (as at 31 December 2013 – KZT 114,178 million).

11. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 September 2014 (unaudited)	31 December 2013
Reinsurance premium unearned	12,524	7,424
Reinsurance amounts recoverable	2,034	3,184
	<u>14,558</u>	<u>10,608</u>
Premiums receivable	4,845	2,771
	<u>19,403</u>	<u>13,379</u>

Insurance liabilities comprised the following:

	30 September 2014 (unaudited)	31 December 2013
Gross unearned insurance premium reserve	17,301	10,796
Reserves for insurance claims	16,953	16,209
	<u>34,254</u>	<u>27,005</u>
Payables to reinsurers and agents	4,958	2,710
Insurance liabilities	<u><u>39,212</u></u>	<u><u>29,715</u></u>

12. OTHER ASSETS

Other assets comprise:

	30 September 2014 (unaudited)	31 December 2013
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	8,974	6,293
Debtors on non – banking activity	4,302	891
Accrued other commission income	682	758
Accrued commission for managing pension assets	-	1,204
Other	26	9
	<u>13,984</u>	<u>9,155</u>
Less – Allowance for impairment (Note 16)	<u>(5,151)</u>	<u>(5,176)</u>
	8,833	3,979
Other non financial assets:		
Corporate income tax prepaid	1,717	1,344
Investment property	1,758	907
Advances for taxes other than income tax	1,198	623
Inventory	1,306	1,367
Prepayments for property and equipment	1,025	1,009
Deferred tax asset (Note 17)	480	301
Investments in associates	24	24
Other	615	868
	<u>8,123</u>	<u>6,433</u>
	<u><u>16,956</u></u>	<u><u>10,422</u></u>

As at 30 September 2014, the Bank held a deposit with HSBC Bank plc. in the amount of USD 16 million as a prepayment to HSBC Bank plc. for acquisition of 100% shares of SB JSC HSBC Bank Kazakhstan, a wholly owned subsidiary of HSBC Bank plc. As at 30 September 2014, such prepayment was accounted in “debtors on non-banking activities” item of other financial assets. On 15 September 2014, the Bank received the approval from the NBK №114 for the purchase of 100% of the shares of SB JSC HSBC Bank Kazakhstan. The transaction is expected to be completed before 2014 year end.

13. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 September 2014 (unaudited)	31 December 2013
Recorded at amortized cost:		
Term deposits:		
Individuals	753,628	644,732
Legal entities	480,931	557,059
	<u>1,234,559</u>	<u>1,201,791</u>
Current accounts:		
Legal entities	567,774	399,153
Individuals	164,447	165,704
	<u>732,221</u>	<u>564,857</u>
	<u><u>1,966,780</u></u>	<u><u>1,766,648</u></u>

As at 30 September 2014, the Group's ten largest groups of related customers accounted for approximately 33% of the total amounts due to customers (31 December 2013 – 32%), where each group of related customers represents customers related to each other within that group.

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

An analysis of customer accounts by sector follows:

	30 September 2014 (unaudited)	%	31 December 2013	%
Individuals and entrepreneurs	918,075	47%	810,436	46%
Oil and gas	420,410	21%	306,889	17%
Construction	93,226	5%	69,094	4%
Other consumer services	89,713	5%	148,380	8%
Financial sector	88,810	5%	52,624	3%
Wholesale trade	56,765	3%	83,703	5%
Transportation	54,724	3%	80,322	5%
Government	52,947	3%	36,686	2%
Insurance and pension funds activity	38,041	2%	31,176	2%
Metallurgy	32,653	2%	13,949	1%
Education	26,441	1%	17,332	1%
Healthcare and social services	16,055	0%	7,771	0%
Communication	9,608	0%	11,376	1%
Energy	7,736	0%	9,751	0%
Other	61,576	3%	87,159	5%
	<u><u>1,966,780</u></u>	<u><u>100%</u></u>	<u><u>1,766,648</u></u>	<u><u>100%</u></u>

14. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 September 2014 (unaudited)	31 December 2013
Recorded at amortized cost:		
Loans from JSC National Managing Holding KazAgro	51,538	-
Loans and deposits from Kazakhstan banks	33,927	81,786
Loans from JSC Entrepreneurship Development Fund DAMU	21,250	-
Correspondent accounts	10,782	2,628
Loans and deposits from non-OECD based banks	6,868	8,623
Loans and deposits from OECD based banks	4,160	3,831
Loans from the other financial institutions	1,522	1,916
Overnight deposits	-	8,611
	<u>130,047</u>	<u>107,395</u>

As at 30 September 2014, loans from JSC National Managing Holding KazAgro (“KazAgro”) included a long-term loan in the amount of KZT 51,538 million at 3.0% interest rate maturing in 2023. The loan was 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 fixed assets, 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 1 January 2023.

As at 30 September 2014, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included a long-term loan in the amount of KZT 20,000 million at 2.0% interest rate maturing in 2034 with an early recall option. The loan was 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.

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

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

	30 September 2014 (unaudited)		31 December 2013	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, Year
Loans from JSC National Managing Holding KazAgro	3.0%	2014-2023	-	-
Loans and deposits from Kazakhstan banks	2.5%-3.5%	2014	0.5%-5.0%	2014
Loans from JSC Entrepreneurship Development Fund DAMU	2.0%	2014-2034	-	-
Loans and deposits from non-OECD based banks	0.7%-7.0%	2014-2017	0.6%-4.5%	2014
Loans and deposits from OECD based banks	0.9%-6.5%	2014-2023	1.0%-6.5%	2016-2023
Loans from other financial institutions	4.8%-6.2%	2014-2018	2.6%-6.0%	2014-2018
Overnight deposits	-	-	0.5%-3.5%	2014

Fair value of assets pledged and carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 September 2014 and 31 December 2013 are presented as follows:

	30 September 2014 (unaudited)		31 December 2013	
	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	31,490	29,428	73,110	67,804
	<u>31,490</u>	<u>29,428</u>	<u>73,110</u>	<u>67,804</u>

Details of transferred financial assets that are not derecognized in their entirety as at 30 September 2014 and 31 December 2013 are disclosed below:

	Available-for-sale investment securities (Note 9)
As at 30 September 2014 (unaudited):	
Carrying amount of transferred assets	31,490
Carrying amount of associated liabilities	29,428
As at 31 December 2013:	
Carrying amount of transferred assets	73,110
Carrying amount of associated liabilities	67,804

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

The Group's management believes that as at 30 September 2014 and 31 December 2013, the Group was in compliance with the covenants of the agreements the Group has with other banks and credit institutions.

15. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 September 2014 (unaudited)	31 December 2013
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	11,990	11,755
Reverse inflation indexed KZT denominated bonds	8,664	8,489
Inflation indexed KZT denominated bonds	3,996	3,941
Total subordinated debt securities outstanding	<u>24,650</u>	<u>24,185</u>
Unsubordinated debt securities issued:		
USD denominated bonds	195,840	165,330
Total unsubordinated debt securities outstanding	<u>195,840</u>	<u>165,330</u>
Total debt securities outstanding	<u>220,490</u>	<u>189,515</u>

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

	30 September 2014		31 December 2013	
	(unaudited)			
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
Fixed rate KZT denominated bonds	7.5%-13.0%	2014-2018	7.5%-13.0%	2014-2018
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015
Unsubordinated debt securities issued:				
USD denominated bonds	7.3%	2017-2021	7.3%	2017-2021

As at 30 September 2014 the amount of accrued interest on debt securities issued was KZT 5,085 million (as at 31 December 2013 – KZT 3,321 million).

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 30 September 2014 and 31 December 2013 the Group was in compliance with the covenants of the agreements the Group has with the notes' trustees and holders.

16. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

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

	Loans to customers (Note 10)	Amounts due from credit institutions (Note 8)	Available-for- sale investment securities	Other Assets (Note 12)	Total
30 June 2014 (unaudited)	(294,606)	-	(1,496)	(4,825)	(300,927)
Recovery of provision/(additional provisions recognized)	1,360	-	19	(432)	947
Write-offs	14,337	-	-	35	14,372
Foreign exchange differences	2,315	-	1	71	2,387
30 September 2014 (unaudited)	<u>(276,594)</u>	<u>-</u>	<u>(1,476)</u>	<u>(5,151)</u>	<u>(283,221)</u>
30 June 2013 (unaudited)	(307,093)	(3)	(999)	(3,300)	(311,395)
Additional provisions recognized	(6,063)	(1)	-	(574)	(6,638)
Write-offs	160	-	-	-	160
Foreign exchange differences	(1,684)	1	-	29	(1,654)
30 September 2013 (unaudited)	<u>(314,680)</u>	<u>(3)</u>	<u>(999)</u>	<u>(3,845)</u>	<u>(319,527)</u>
31 December 2013	(323,311)	(5)	(1,040)	(5,176)	(329,532)
Recovery of provision/(additional provisions recognized)	106	-	(435)	(84)	(413)
Write – offs	72,275	-	-	120	72,395
Foreign exchange differences	(25,664)	5	(1)	(11)	(25,671)
30 September 2014 (unaudited)	<u>(276,594)</u>	<u>-</u>	<u>(1,476)</u>	<u>(5,151)</u>	<u>(283,221)</u>
31 December 2012	(302,926)	(2)	(999)	(2,389)	(306,316)
Additional provisions recognized	(11,610)	(2)	-	(1,563)	(13,175)
Write-offs	2,108	-	-	83	2,191
Foreign exchange differences	(2,252)	1	-	24	(2,227)
30 September 2013 (unaudited)	<u>(314,680)</u>	<u>(3)</u>	<u>(999)</u>	<u>(3,845)</u>	<u>(319,527)</u>

During the nine months ended 30 September 2014, the Group has written off loans, fully or partially, in the amount of KZT 71,986 million. This write-off was made following the changes introduced to the Tax Code of Kazakhstan, which provided certain income tax relief for loan write-offs, and was made in accordance with Management's plans to reduce the level of non-performing loans in the loan portfolio.

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

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
At the beginning of the period	(14)	(4,539)	(4,163)	(4,385)
Additional provisions recognized	(58)	(648)	(104)	(4,427)
Recovery of provisions	34	1,246	4,152	4,840
Write-off	-	-	84	-
Foreign exchange differences	2	(17)	(5)	14
At the end of the period	<u>(36)</u>	<u>(3,958)</u>	<u>(36)</u>	<u>(3,958)</u>

17. INCOME TAXES

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

The income tax expense comprises:

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Current income tax expense	4,744	3,920	16,418	10,187
Adjustments recognized in the current period for deferred tax of prior periods	-	-	2,788	-
Deferred tax expense	<u>1,636</u>	<u>724</u>	<u>1,787</u>	<u>1,671</u>
Income tax expense	<u>6,380</u>	<u>4,644</u>	<u>20,993</u>	<u>11,858</u>

During the nine months ended 30 September 2014, due to the changes in the Tax Code related to the deduction of accrued interest expense, the Group adjusted its deferred tax assets correspondingly.

The tax rate for Kazakhstan companies was 20% during nine months ended 30 September 2014 and 2013. Income on state and other qualifying securities is tax exempt.

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

Deferred tax assets and liabilities comprise:

	30 September 2014 (unaudited)	31 December 2013
Deferred tax assets/(liabilities) in relation to:		
Bonuses accrued	1,425	1,122
Vacation pay accrual	254	241
Insurance premium reserves	15	-
Interest accrued, but not paid	-	2,788
Other	52	94
	<u>1,746</u>	<u>4,245</u>
Deferred tax asset		
Dynamic provisions and allowance for impairment losses on loans to customers	(3,684)	(3,115)
Property and equipment, accrued depreciation	(4,720)	(4,681)
Fair value of derivatives and available for sale investment securities	(463)	(393)
Reserve on revaluation of financial instruments	(76)	-
Other	(1,597)	(275)
	<u>(10,540)</u>	<u>(8,464)</u>
Deferred tax liability		
Net deferred tax liability	<u>(8,794)</u>	<u>(4,219)</u>

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

	30 September 2014 (unaudited)	31 December 2013
Deferred tax asset (Note 12)	480	301
Deferred tax liability	(9,274)	(4,520)
	<u>(8,794)</u>	<u>(4,219)</u>
Net deferred tax liability		
	2014	2013
Net deferred tax liability 1 January	4,219	6,816
Deferred tax expense	1,787	947
Adjustments recognized in the current period for deferred tax of prior periods	2,788	-
	<u>8,794</u>	<u>7,763</u>
Net deferred tax liability 30 September (unaudited)		

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

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

18. OTHER LIABILITIES

Other liabilities comprise:

	30 September 2014 (unaudited)	31 December 2013
Other financial liabilities:		
Salary payable	7,940	6,274
Payable for general and administrative expenses	1,668	608
Creditors on non-banking activities	344	696
Creditors on bank activities	236	602
Other	310	68
	<u>10,498</u>	<u>8,248</u>
Other non financial liabilities:		
Current income tax payable	3,242	2,257
Taxes payable other than income tax	1,450	1,361
Other prepayments received	816	344
	<u>5,508</u>	<u>3,962</u>
	<u><u>16,006</u></u>	<u><u>12,210</u></u>

19. EQUITY

Authorized, issued and fully paid number of shares as at 30 September 2014 and 2013 were as follows:

30 September 2014 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000	(12,871,481,549)	11,128,518,451	(217,648,138)	10,910,870,313
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(200,558,516)	109,300,914
Convertible preferred shares	80,225,222	-	80,225,222	(263,822)	79,961,400

30 September 2013 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000	(12,871,481,549)	11,128,518,451	(222,547,057)	10,905,971,394
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(193,746,831)	116,112,599
Convertible preferred shares	80,225,222	-	80,225,222	(227,972)	79,997,250

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2013	10,908,700,519	115,533,834	79,997,250	43,597	9,273	13,291
Purchases of treasury shares	(2,856,177)	(6,232,920)	(35,850)	(3)	-	-
Sale of treasury shares	<u>5,025,971</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>
30 September 2014 (unaudited)	<u>10,910,870,313</u>	<u>109,300,914</u>	<u>79,961,400</u>	<u>43,599</u>	<u>9,273</u>	<u>13,291</u>
31 December 2012	10,907,961,655	95,712,499	79,724,654	43,597	5,837	13,233
Purchases of treasury shares	(6,829,353)	-	(101,167)	(8)	-	-
Sale of treasury shares	<u>4,839,092</u>	<u>20,400,100</u>	<u>373,763</u>	<u>5</u>	<u>3,436</u>	<u>58</u>
30 September 2013 (unaudited)	<u>10,905,971,394</u>	<u>116,112,599</u>	<u>79,997,250</u>	<u>43,594</u>	<u>9,273</u>	<u>13,291</u>

Common shares

As at 30 September 2014, the Group held 217,648,138 of the Group's common shares as treasury shares at KZT 39,972 million (30 September 2013 – 222,547,057 shares at KZT 39,977 million).

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

Preferred shares

On 28 April 2014, the Bank repurchased 6,232,399 of its own preferred shares from Samruk-Kazyna at a price of KZT 200.28 per share for KZT 1,248 million. As a result, the Group has recorded KZT 42,514 million as a cost of acquired treasury. After the repurchase, Samruk-Kazyna continues owning 100 preferred shares of the Bank.

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

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

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

Share premium reserve

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

Convertible preferred shares

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

Retained earnings

Due to amendments to Legal act of the NBK in 2013, the Bank ceased accruing impairment provisions in accordance with the previous requirements of the NBK and recognized dynamic reserves. Dynamic reserves represent reserves to absorb non-current expected losses on the Bank's loan portfolio during credit shocks should they arise. Dynamic reserves are calculated by multiplying the balance and changes in the balance of the Bank's loans to customers by certain indicators approved by the NBK. As at 30 September 2014, dynamic provisions amounted to KZT 19,568 million and were included into the Retained earnings on the consolidated statement of financial position.

20. COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies

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

	30 September 2014 (unaudited)	31 December 2013
Guarantees issued	123,795	156,699
Commercial letters of credit	13,949	13,810
Commitments to extend credit	8,418	12,093
	<hr/>	<hr/>
Financial commitments and contingencies	146,162	182,602
Less: cash collateral against letters of credit	(2,514)	(6,249)
Less: provisions (Note 16)	(36)	(4,163)
	<hr/>	<hr/>
Total financial commitments and contingencies, net	<u>143,612</u>	<u>172,190</u>

Guarantees issued represent bank guarantees issued by the Bank by order of its clients, and which are in effect as at the reporting date. As at 30 September 2014, the ten largest guarantees accounted for 80% of the Group's total financial guarantees (as at 31 December 2013 – 83%) and represented 21% of the Group's total equity (as at 31 December 2013 – 33%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 30 September 2014, the ten largest letters of credit accounted for 70% of the Group's total commercial letters of credit (as at 31 December 2013 – 49%) and represented 1.3% of the Group's total equity (as at 31 December 2013 – 1.5%).

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

The Group had no material commitments for capital expenditures outstanding as at 30 September 2014 and 31 December 2013.

Operating lease commitments

There was no material operating lease commitments under non-cancellable operating leases outstanding as at 30 September 2014 and 31 December 2013.

21. NET INTEREST INCOME

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on impaired assets	24,102	24,481	75,695	63,958
- interest income on unimpaired assets	23,812	18,302	65,825	58,258
Interest income on available-for-sale investment securities	4,950	4,038	14,896	12,020
Interest income on financial assets at fair value through profit or loss	20	11	56	26
Total interest income	52,884	46,832	156,472	134,262
Interest income on financial assets recorded at amortized cost comprises:				
Interest income on loans to customers	46,724	41,480	137,726	118,029
Interest income on amounts due from credit institutions and cash and cash equivalents	1,190	732	3,794	2,385
Interest income on investments held to maturity	-	571	-	1,802
Total interest income on financial assets recorded at amortized cost	47,914	42,783	141,520	122,216
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held for trading	20	11	56	26
Total interest income on financial assets at fair value through profit or loss	20	11	56	26
Interest income on available-for-sale investment securities	4,950	4,038	14,896	12,020
Total interest income	52,884	46,832	156,472	134,262
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(20,003)	(18,861)	(58,785)	(57,188)
Total interest expense	(20,003)	(18,861)	(58,785)	(57,188)
Interest expense on financial liabilities recorded at amortized cost comprise:				
Interest expense on amounts due to customers	(15,306)	(13,074)	(45,019)	(39,336)
Interest expense on debt securities issued	(4,143)	(5,350)	(12,213)	(17,112)
Interest expense on amounts due to credit institutions	(554)	(437)	(1,553)	(740)
Total interest expense on financial liabilities recorded at amortized cost	(20,003)	(18,861)	(58,785)	(57,188)
Net interest income before impairment charge	32,881	27,971	97,687	77,074

22. FEES AND COMMISSION INCOME

Fee and commission income was derived from the following sources:

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Pension fund and asset management	-	3,918	11,865	6,337
Bank transfers – settlements	3,008	2,700	8,015	7,625
Cash operations	2,330	1,946	6,228	5,194
Payment cards maintenance	2,001	1,752	5,737	4,984
Bank transfers – salary projects	1,543	1,407	4,651	4,288
Customers’ pension payments	1,288	1,063	3,739	3,142
Letters of credit and guarantees issued	797	948	2,439	2,618
Collection services	410	430	1,241	1,189
Maintenance of customer accounts	363	266	944	745
Other	302	573	1,048	824
	<u>12,042</u>	<u>15,003</u>	<u>45,907</u>	<u>36,946</u>

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

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Investment income on pension assets	-	2,374	10,259	1,890
Income from administration of pension assets	-	1,544	1,606	4,447
	<u>-</u>	<u>3,918</u>	<u>11,865</u>	<u>6,337</u>

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

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

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
Net gain on derivative operations	1,757	1,038	1,654	2,050
Unrealized net gain/(loss) on trading operations	701	(1,238)	499	(1,090)
Realized gain/(loss) on trading operations	8	12	247	(30)
	<u>2,466</u>	<u>(188)</u>	<u>2,400</u>	<u>930</u>

24. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Dealing, net	2,307	2,300	3,502	4,653
Translation differences, net	<u>(2,048)</u>	<u>1,080</u>	<u>2,658</u>	<u>1,372</u>
	<u>259</u>	<u>3,380</u>	<u>6,160</u>	<u>6,025</u>

25. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Insurance premiums written, gross	7,254	6,199	29,661	30,021
Change in unearned insurance premiums, net	934	1,303	(1,537)	(1,696)
Ceded reinsurance share	<u>(1,861)</u>	<u>(4,139)</u>	<u>(13,966)</u>	<u>(12,154)</u>
	<u>6,327</u>	<u>3,363</u>	<u>14,158</u>	<u>16,171</u>
Insurance payments	(1,968)	(2,040)	(6,310)	(6,786)
Insurance reserves	(712)	(116)	(2,144)	(5,140)
Commission to agents	<u>(2,165)</u>	<u>(89)</u>	<u>(2,523)</u>	<u>(407)</u>
	<u>(4,845)</u>	<u>(2,245)</u>	<u>(10,977)</u>	<u>(12,333)</u>
	<u>1,482</u>	<u>1,118</u>	<u>3,181</u>	<u>3,838</u>

26. OPERATING EXPENSES

Operating expenses comprise:

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Salaries and other employee benefits	8,342	6,945	24,927	23,341
Professional services	1,160	757	2,264	1,248
Depreciation and amortization	1,156	1,396	3,646	4,379
Repairs and maintenance	810	552	1,502	1,136
Taxes other than income tax	513	559	1,844	1,634
Communication	387	336	1,155	936
Security	376	358	1,116	1,069
Rent	322	297	955	918
Information services	299	237	883	645
Insurance agents' fees	288	259	583	731
Advertisement	255	218	676	797
Utilities expenses	240	186	840	707
Business trip expenses	203	181	548	458
Stationery and office supplies	147	135	438	433
Transportation	116	126	340	371
Charity	35	127	202	191
Expenses on sale of property and equipment and intangible assets	17	13	327	120
Hospitality expenses	17	17	40	32
Social events	4	13	15	27
Other	247	320	956	907
	<u>14,934</u>	<u>13,032</u>	<u>43,257</u>	<u>40,080</u>

27. EARNINGS PER SHARE

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

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 September 2014 (unaudited)	Three months ended 30 September 2013 (unaudited)	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Basic earnings per share				
Net income for the period attributable to equity holders of the parent	28,345	21,868	91,997	56,002
Less: Dividends paid on preference shares	N/A	N/A	(1,757)	(2,197)
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	(483)	(386)	N/A	N/A
Earnings attributable to common shareholders	<u>27,862</u>	<u>21,482</u>	<u>90,240</u>	<u>53,805</u>
Weighted average number of common shares for the purposes of basic earnings per share	<u>10,910,658,879</u>	<u>10,905,551,464</u>	<u>10,910,152,770</u>	<u>10,906,368,397</u>
Basic earnings per share (in Kazakhstani Tenge)*	<u>2.55</u>	<u>1.97</u>	<u>8.27</u>	<u>4.93</u>
Diluted earnings per share				
Earnings used in the calculation of basic earnings per share	27,862	21,482	90,240	53,805
Add: Dividends paid on convertible preferred shares	N/A	N/A	744	899
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	204	158	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	(10,101)	(10,471)	(10,103)	(10,453)
Earnings used in the calculation of total diluted earnings per share	<u>17,965</u>	<u>11,169</u>	<u>80,881</u>	<u>44,251</u>
Weighted average number of common shares for the purposes of basic earnings per share	10,910,658,879	10,905,551,464	10,910,152,770	10,906,368,397
Weighted average number of common shares that would be issued for the convertible preferred shares	<u>79,961,400</u>	<u>79,654,631</u>	<u>79,978,059</u>	<u>79,871,522</u>
Weighted average number of common shares for the purposes of diluted earnings per share	<u>10,990,620,279</u>	<u>10,985,206,095</u>	<u>10,990,130,829</u>	<u>10,986,239,919</u>
Diluted earnings per share (in Kazakhstani Tenge)*	<u>1.63</u>	<u>1.02</u>	<u>7.36</u>	<u>4.03</u>

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

As required by KASE rules for listed companies the book value of one share per each class of shares as at 30 September 2014 and 31 December 2013, is disclosed as follows:

Class of shares	Outstanding shares	30 September 2014 (unaudited)	
		Equity	Book value of one share, in KZT
Common	10,910,870,313	434,886	39.86
Non-convertible preferred	109,300,914	9,049	82.79
Convertible preferred	79,961,400	13,291	166.22
		<u>457,226</u>	
Class of shares	Outstanding shares	31 December 2013	
		Equity	Book value of one share, in KZT
Common	10,908,700,519	362,761	33.25
Non-convertible preferred	115,533,834	10,510	90.97
Convertible preferred	79,997,250	13,291	166.14
		<u>386,562</u>	

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

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

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
- Market risk

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

Credit risk

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

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

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

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

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

Structure and authorities of credit committees

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

Head Office Credit Committee (CC)

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

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

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to the small and medium-enterprise customers.

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

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

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

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

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

Problem loans committee of the Head Office, branches

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

Authorized credit authorities of the Bank's subsidiaries

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

ALMC

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

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

The Management Board

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

The Board of Directors

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

Currency Risk

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

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

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

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

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

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

	30 September 2014 (unaudited)				Total
	KZT	USD	Euro	Other currencies	
FINANCIAL ASSETS:					
Cash and cash equivalents	86,033	620,723	24,388	13,782	744,926
Obligatory reserves	20,573	30,154	595	658	51,980
Financial assets at fair value through profit or loss	1,457	667	-	128	2,252
Amounts due from credit institutions	29,865	4,705	-	1,388	35,958
Available-for-sale investment securities	194,858	175,938	1,166	3,380	375,342
Loans to customers	1,009,923	485,213	4,527	16,245	1,515,908
Other financial assets	8,471	236	41	85	8,833
	<u>1,351,180</u>	<u>1,317,636</u>	<u>30,717</u>	<u>35,666</u>	<u>2,735,199</u>
FINANCIAL LIABILITIES:					
Amounts due to customers	847,689	1,084,275	25,076	9,740	1,966,780
Amounts due to credit institutions	110,106	11,741	7,309	891	130,047
Financial liabilities at fair value through profit or loss	149	60	-	71	280
Debt securities issued	24,640	195,850	-	-	220,490
Other financial liabilities	9,920	46	109	423	10,498
	<u>992,504</u>	<u>1,291,972</u>	<u>32,494</u>	<u>11,125</u>	<u>2,328,095</u>
Net position – on balance	<u>358,676</u>	<u>25,664</u>	<u>(1,777)</u>	<u>24,541</u>	<u>407,104</u>
Net position – off balance	<u>38,289</u>	<u>(25,289)</u>	<u>1,838</u>	<u>(15,980)</u>	<u>(1,142)</u>
Net position	<u>396,965</u>	<u>375</u>	<u>61</u>	<u>8,561</u>	<u>405,962</u>
	31 December 2013				
	KZT	USD	Euro	Other currencies	Total
FINANCIAL ASSETS:					
Cash and cash equivalents	160,380	289,034	22,138	14,761	486,313
Obligatory reserves	23,693	19,313	583	687	44,276
Financial assets at fair value through profit or loss	806	478	-	50	1,334
Amounts due from credit institutions	23,293	2,515	-	-	25,808
Available-for-sale investment securities	174,393	173,354	-	2,805	350,552
Loans to customers	973,606	493,463	3,056	12,120	1,482,245
Other financial assets	3,534	247	47	151	3,979
	<u>1,359,705</u>	<u>978,404</u>	<u>25,824</u>	<u>30,574</u>	<u>2,394,507</u>
FINANCIAL LIABILITIES:					
Amounts due to customers	984,705	734,130	25,063	22,750	1,766,648
Amounts due to credit institutions	78,607	28,172	474	142	107,395
Financial liabilities at fair value through profit or loss	69	-	-	-	69
Debt securities issued	24,184	162,055	-	3,276	189,515
Other financial liabilities	8,051	25	58	114	8,248
	<u>1,095,616</u>	<u>924,382</u>	<u>25,595</u>	<u>26,282</u>	<u>2,071,875</u>
Net position – on balance	<u>264,089</u>	<u>54,022</u>	<u>229</u>	<u>4,292</u>	<u>322,632</u>
Net position – off balance	<u>55,043</u>	<u>(41,728)</u>	<u>51</u>	<u>(13,318)</u>	<u>48</u>
Net position	<u>319,132</u>	<u>12,294</u>	<u>280</u>	<u>(9,026)</u>	<u>322,680</u>

Liquidity Risk

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

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

	30 September 2014 (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	669,168	75,758	-	-	-	744,926
Obligatory reserves	31,548	2,835	12,308	2,702	2,587	51,980
Financial assets at fair value through profit or loss	2,252	-	-	-	-	2,252
Amounts due from credit institutions	4,112	1,888	14,450	15,508	-	35,958
Available-for-sale investment securities	4,004	8,442	51,231	207,647	104,018	375,342
Loans to customers	102,764	191,885	895,276	257,808	68,175	1,515,908
Other financial assets	4,384	1,180	249	2,974	46	8,833
	<u>818,232</u>	<u>281,988</u>	<u>973,514</u>	<u>486,639</u>	<u>174,826</u>	<u>2,735,199</u>
FINANCIAL LIABILITIES:						
Amounts due to customers	1,219,777	106,564	533,395	74,582	32,462	1,966,780
Amounts due to credit institutions	51,884	95	149	4,500	73,419	130,047
Financial liabilities at fair value through profit or loss	280	-	-	-	-	280
Debt securities issued	279	7,657	7,902	118,922	85,730	220,490
Other financial liabilities	7,493	1,186	875	941	3	10,498
	<u>1,279,713</u>	<u>115,502</u>	<u>542,321</u>	<u>198,945</u>	<u>191,614</u>	<u>2,328,095</u>
Net position	<u>(461,481)</u>	<u>166,486</u>	<u>431,193</u>	<u>287,694</u>	<u>(16,788)</u>	
Accumulated gap	<u>(461,481)</u>	<u>(294,995)</u>	<u>136,198</u>	<u>423,892</u>	<u>407,104</u>	

	31 December 2013					
	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	462,744	23,569	-	-	-	486,313
Obligatory reserves	25,666	3,095	11,145	2,360	2,010	44,276
Financial assets at fair value through profit or loss	1,334	-	-	-	-	1,334
Amounts due from credit institutions	2,784	1,539	5,183	16,297	5	25,808
Available-for-sale investment securities	11,292	20,090	31,346	221,720	66,104	350,552
Loans to customers	176,593	174,538	869,799	217,895	43,420	1,482,245
Other financial assets	3,499	217	64	140	59	3,979
	<u>683,912</u>	<u>223,048</u>	<u>917,537</u>	<u>458,412</u>	<u>111,598</u>	<u>2,394,507</u>
FINANCIAL LIABILITIES:						
Amounts due to customers	954,509	126,847	531,262	121,948	32,082	1,766,648
Amounts due to credit institutions	99,191	2,945	627	1,141	3,491	107,395
Financial liabilities at fair value through profit or loss	69	-	-	-	-	69
Debt securities issued	2,377	-	5,329	109,368	72,441	189,515
Other financial liabilities	6,571	307	1,232	138	-	8,248
	<u>1,062,717</u>	<u>130,099</u>	<u>538,450</u>	<u>232,595</u>	<u>108,014</u>	<u>2,071,875</u>
Net position	<u>(378,805)</u>	<u>92,949</u>	<u>379,087</u>	<u>225,817</u>	<u>3,584</u>	
Accumulated gap	<u>(378,805)</u>	<u>(285,856)</u>	<u>93,231</u>	<u>319,048</u>	<u>322,632</u>	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back a part of the 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.

29. SEGMENT ANALYSIS

The Group is managed and reports on the basis of two main operating segments – corporate and retail banking. The Group’s segments are strategic business units that offer different products and services which are managed separately.

Corporate banking offers business banking services principally to small and medium sized companies and commercial loans to larger corporate clients. Products and services offered by corporate banking are direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products to legal entities.

Retail banking offers a range of products and services to retail customers. Products and services offered by retail banking are private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals and cash and foreign currency related services.

In addition to corporate and retail banking the Group provides capital market services, insurance services, and documentary operations with guarantees and commercial letters of credit reflected in “Other” category.

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

There were no transactions between business segments during the nine months ended 30 September 2014 and 2013. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group as at 30 September 2014 and 2013 and for the nine months then ended is set out below:

	Retail banking	Corporate banking	Other	Total
As at 30 September 2014 and for the nine months ended (unaudited)				
External revenues	90,798	121,789	20,003	232,590
Total revenues	90,798	121,789	20,003	232,590
Total revenues comprise:				
- Interest income	51,914	104,558	-	156,472
- Fee and commission income	36,123	9,784	-	45,907
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	319	319
- Net realized gain from available-for-sale investment securities	-	-	2,400	2,400
- Net gain on foreign exchange operations	2,761	3,399	-	6,160
- Insurance underwriting income and other income	-	-	17,284	17,284
- Recovery of provision	-	4,048	-	4,048
Total revenues	90,798	121,789	20,003	232,590
- Interest expense on amounts due to customers	(32,259)	(12,760)	-	(45,019)
- Impairment charge	(5,105)	4,692	-	(413)
- Fee and commission expense	(574)	(5,594)	-	(6,168)
- Salaries and other employee benefits	(4,904)	(20,023)	-	(24,927)
- Advertisement expenses	(676)	-	-	(676)
Segment result	47,280	88,104	20,003	155,387
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(13,766)
- Insurance claims incurred, net of reinsurance				(10,977)
- Unallocated operating expenses				(17,654)
Income before income tax expense				112,990
Income tax expense				(20,993)
Net income				91,997
Total segment assets	474,837	1,821,954	377,617	2,674,408
Unallocated assets				169,949
Total assets				2,844,357
Total segment liabilities	(918,075)	(1,048,705)	(36)	(1,966,816)
Unallocated liabilities				(415,309)
Total liabilities				(2,382,125)
Other segment items:				
Capital expenditure (unallocated)				(2,548)
Depreciation and amortization expense (unallocated)				(3,646)

	Retail banking	Corporate banking	Other	Total
As at 30 September 2013 and for the nine months ended (unaudited)				
External revenues	73,065	104,581	18,555	196,201
Total revenues	73,065	104,581	18,555	196,201
Total revenues comprise:				
- Interest income	43,489	90,773	-	134,262
- Fee and commission income	27,741	9,205	-	36,946
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	930	930
- Net realized gain from available-for-sale investment securities	-	-	310	310
- Net gain on foreign exchange operations	1,835	4,190	-	6,025
- Insurance underwriting income and other income	-	-	17,315	17,315
- Recovery of provision	-	413	-	413
Total revenues	73,065	104,581	18,555	196,201
- Interest expense on amounts due to customers	(30,482)	(8,854)	-	(39,336)
- Impairment charge	(2,113)	(11,062)	-	(13,175)
- Fee and commission expense	(974)	(4,420)	-	(5,394)
- Salaries and other employee benefits	(4,911)	(18,430)	-	(23,341)
- Advertisement expenses	(797)	-	-	(797)
Segment result	33,788	61,815	18,555	114,158
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(17,852)
- Insurance claims incurred, net of reinsurance				(12,333)
- Unallocated operating expenses				(15,942)
Income before income tax expense				68,031
Income tax expense				(11,858)
Net income				56,173
Total segment assets	455,771	1,517,631	371,868	2,345,270
Unallocated assets				156,041
Total assets				2,501,311
Total segment liabilities	(796,788)	(956,120)	(3,958)	(1,756,866)
Unallocated liabilities				(367,104)
Total liabilities				(2,123,970)
Other segment items:				
Capital expenditure (unallocated)				(4,135)
Depreciation and amortization expense (unallocated)				(4,379)

Geographical information

Information for the main geographical areas of the Group is set out below as at 30 September 2014 and 31 December 2013 and for the nine-months ended 30 September 2014 and 2013.

	Kazakhstan	OECD countries	Non-OECD countries	Total
30 September 2014 (unaudited)				
Total assets	2,299,589	433,358	111,410	2,844,357
31 December 2013				
Total assets	2,071,205	333,259	101,950	2,506,414
Nine months ended 30 September 2014 (unaudited)				
External revenues	225,100	1,340	6,150	232,590
Capital expenditure	(2,548)	-	-	(2,548)
Nine months ended 30 September 2013 (unaudited)				
External revenues	189,626	1,932	4,643	196,201
Capital expenditure	(4,135)	-	-	(4,135)

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 VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 September 2014 and 31 December 2013, before any allowances for impairment losses:

Financial Assets/Liabilities	Fair value hierarchy		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	
	30 September 2014 (unaudited)	31 December 2013				
Non-derivative financial assets at fair value through profit or loss (Note 7)	1,224	968	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 7)	69	57	Level 2	Quoted bid prices in an active market for similar or identical financial instruments. Discounted cash flows.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 7)	959	58	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties..	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss - options (Note 7)	-	251	Level 2	Binominal model with primary data based on average price without using maximum and minimum values from KASE. Discounted cash flows.	Not applicable	Not applicable
Derivative financial liability at fair value through profit or loss excluding options (Note 7)	(280)	(69)	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 9)	373,648	348,498	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	192	931	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 9)	1,502	1,123	Level 3	Valuation model based on internal rating model	Percentage discount	The greater discount - the smaller fair value

There were no transfers between Level 1 and 2 during the nine months ended 30 September 2014 and 2013.

	Available-for-sale investment securities
	Unquoted equity securities (Level 3)
31 December 2012	1,242
Total gains or losses	(41)
- in profit or loss	(27)
- in other comprehensive income	(14)
Redemptions and sale	(78)
30 September 2013 (unaudited)	<u>1,123</u>
31 December 2013	1,123
Total gains or losses	400
- in profit or loss	400
Redemptions and sale	(21)
30 September 2014 (unaudited)	<u>1,502</u>

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.

The Group had the following balances outstanding as at 30 September 2014 and 31 December 2013 with related parties:

	30 September 2014 (unaudited)		31 December 2013	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for impairment losses	5,061	1,792,502	6,852	1,805,556
- <i>entities with joint control or significant influence over the Group</i>	4,753		5,948	
- <i>other related parties</i>	308		904	
Allowance for impairment losses	(36)	(276,594)	(216)	(323,311)
- <i>entities with joint control or significant influence over the Group</i>	(33)		(202)	
- <i>other related parties</i>	(3)		(14)	
Amounts due to customers	138,960	1,966,780	101,562	1,766,648
- <i>the parent</i>	78,164		60,184	
- <i>entities with joint control or significant influence over the Group</i>	29,601		33,546	
- <i>associates</i>	-		27	
- <i>key management personnel of the Group or its parent</i>	5,019		2,602	
- <i>other related parties</i>	26,176		5,203	

Included in the interim consolidated statement of profit or loss for the nine months ended 30 September 2014 and 2013 are the following amounts which arose due to transactions with related parties:

	Nine months ended 30 September 2014 (unaudited)		Nine months ended 30 September 2013 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	448	156,472	661	134,262
- <i>entities with joint control or significant influence over the Group</i>	422		595	
- <i>other related parties</i>	26		66	
Interest expense	(2,736)	(58,785)	(2,605)	(57,188)
- <i>the parent</i>	(2,368)		(2,453)	
- <i>entities with joint control or significant influence over the Group</i>	(2)		-	
- <i>key management personnel of the Group or its parent</i>	(196)		(93)	
- <i>other related parties</i>	(170)		(59)	

	Nine months ended 30 September 2014 (unaudited)		Nine months ended 30 September 2013 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
- <i>short-term employee benefits</i>	1,178	24,927	743	23,341
	1,178		743	

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

32. SUBSEQUENT EVENTS

On 18 November 2014, the Bank has placed KZT 100 billion 7.5% bonds with maturity in November 2024 at a price of 94.6354%, issued as per Kazakhstan legislation. The Bank plans to utilize the raised funds for diversification of its liabilities and lending to customers.