

JSC HALYK BANK

Interim Condensed Consolidated Financial Information (Unaudited)

For the nine months ended 30 September 2016

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 2016 (Unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 September 2016, 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 comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2016 was authorized for issue by the Management Board on 14 November 2016.

On behalf of the Management Board:



Aliya S. Karpykova
Acting Chairperson of the Board

14 November 2016
Almaty, Kazakhstan



Pavel A. Cheussov
Chief Accountant

14 November 2016
Almaty, Kazakhstan

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

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 September 2016 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 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte, LLP

14 November 2016
Almaty, Kazakhstan

JSC HALYK BANK

Interim Consolidated Statement of Financial Position As at 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

	Notes	30 September 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents	5	1,330,740	1,404,680
Obligatory reserves	6	71,642	68,389
Financial assets at fair value through profit or loss	7	413,208	177,070
Amounts due from credit institutions	8	32,217	44,993
Available-for-sale investment securities	9	441,704	378,520
Precious metals		3,017	2,436
Loans to customers	10, 31	2,203,326	2,176,069
Investment property		30,319	24,658
Commercial property		10,100	9,632
Property and equipment		95,728	82,462
Assets held-for-sale		10,210	11,405
Goodwill		4,954	4,954
Intangible assets		9,046	8,659
Current income tax assets	17	2,781	16,469
Deferred income tax assets	17	931	1,919
Insurance assets	11	30,465	23,857
Other assets	12	14,956	18,766
TOTAL ASSETS		4,705,344	4,454,938
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	3,171,519	3,043,731
Amounts due to credit institutions	14	178,777	168,258
Financial liabilities at fair value through profit or loss	7	727	5,593
Debt securities issued	15	591,050	597,525
Provisions	16	942	982
Current income tax liability	17	11,378	379
Deferred tax liability	17	34,715	37,362
Insurance liabilities	11	64,880	50,983
Other liabilities	18	18,976	20,197
Total liabilities		4,072,964	3,925,010
EQUITY			
Share capital	19	143,695	143,695
Share premium reserve		1,916	2,039
Treasury shares	19	(103,121)	(103,175)
Retained earnings and other reserves		589,890	487,369
Total equity		632,380	529,928
TOTAL LIABILITIES AND EQUITY		4,705,344	4,454,938

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

14 November 2016
Almaty, Kazakhstan


Pavel A. Cheussov
Chief Accountant

14 November 2016
Almaty, Kazakhstan

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

JSC HALYK BANK

Interim Consolidated Statement of Profit Or Loss For the Three and Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Interest income	21, 31	92,948	63,302	260,477	181,588
Interest expense	21, 31	(43,003)	(24,455)	(126,686)	(67,252)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	21	49,945	38,847	133,791	114,336
Impairment charge	16	(8,314)	(6,916)	(19,012)	(8,541)
NET INTEREST INCOME		41,631	31,931	114,779	105,795
Fee and commission income	22	15,130	13,356	43,471	38,872
Fee and commission expense		(2,540)	(2,931)	(9,024)	(7,696)
Fees and commissions, net		12,590	10,425	34,447	31,176
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	23	(5,428)	107,186	(10,007)	107,453
Net realized gain/(loss) from available-for-sale investment securities		1,847	375	2,872	(926)
Net foreign exchange gain/(loss)	24	7,333	(91,242)	15,206	(87,466)
Insurance underwriting income	25	7,607	6,780	19,942	17,945
Other income		1,209	3,691	3,970	5,661
OTHER NON-INTEREST INCOME		12,568	26,790	31,983	42,667
Operating expenses	26	(17,719)	(17,179)	(51,900)	(48,764)
Recoveries of provisions/(additional provisions recognized)	16	9	(236)	49	(234)
Insurance claims incurred, net of reinsurance	25	(6,848)	(6,205)	(18,043)	(16,541)
NON-INTEREST EXPENSES		(24,558)	(23,620)	(69,894)	(65,539)
INCOME BEFORE INCOME TAX EXPENSE		42,231	45,526	111,315	114,099
Income tax expense	17	(5,367)	(8,828)	(17,314)	(22,124)
NET INCOME		36,864	36,698	94,001	91,975
Attributable to:					
Preferred shareholders		-	70	-	1,070
Common shareholders		36,864	36,628	94,001	90,905
		36,864	36,698	94,001	91,975
Basic earnings per share (in Kazakhstani Tenge)	27	3.35	3.36	8.94	8.20
Diluted earnings per share (in Kazakhstani Tenge)		3.34	3.36	8.93	7.70

On behalf of the Management Board:

Aliya S. Karpykova
Acting Chairperson of the Board

14 November 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 November 2016
Almaty, Kazakhstan

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

JSC HALYK BANK

Interim Consolidated Statement of Other Comprehensive Income For the Three and Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Net income	36,864	36,698	94,001	91,975
Other comprehensive income:				
<i>Items that will not to be subsequently reclassified to profit or loss:</i>				
(Loss)/gain on revaluation of property (net of tax – KZT Nil)	(1)	10	(210)	(8)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Gain/(loss) on revaluation of available- for-sale investment securities (net of tax – KZT Nil)	10,293	(8,786)	10,615	(7,456)
Reclassification adjustment relating to available-for-sale investment securities impaired during the period (net of tax – KZT Nil)	(529)	847	(211)	2,640
Reclassification adjustment relating to available-for-sale investment securities disposed of in the period (net of tax – KZT Nil)	(1,847)	(375)	(2,872)	926
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	(301)	3,683	1,537	3,216
Other comprehensive income/(loss) for the period	7,615	(4,621)	8,859	(682)
Total comprehensive income for the period	44,479	32,077	102,860	91,293
Attributable to:				
Common shareholders	44,479	32,016	102,860	90,231
Preferred shareholders	-	61	-	1,062
Total comprehensive income	44,479	32,077	102,860	91,293

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

14 November 2016
Almaty, Kazakhstan


Pavel A. Cheussov
Chief Accountant

14 November 2016
Almaty, Kazakhstan

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

JSC HALYK BANK

Interim Consolidated Statement of Changes in Equity For the Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

	Share capital				Treasury shares			Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total equity
	Common Shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*				
31 December 2015	83,571	46,891	13,233	2,039	(39,974)	(63,201)	4,695	(19,404)	16,416	485,662	529,928
Net income	-	-	-	-	-	-	-	-	-	94,001	94,001
Other comprehensive income/(loss)	-	-	-	-	-	-	1,537	7,532	(210)	-	8,859
Total comprehensive income/(loss)	-	-	-	-	-	-	1,537	7,532	(210)	94,001	102,860
Exchange of preferred shares to common shares	60,124	(46,891)	(13,233)	(96)	(63,201)	63,201	-	-	-	-	(96)
Treasury shares purchased	-	-	-	(27)	(390)	-	-	-	-	-	(417)
Treasury shares sold	-	-	-	-	444	-	-	-	-	-	444
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(333)	(333)
Insurance bonuses to the insured	-	-	-	-	-	-	-	-	-	(6)	(6)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(197)	197	-
30 September 2016 (unaudited)	143,695	-	-	1,916	(103,121)	-	6,232	(11,872)	16,009	579,521	632,380

JSC HALYK BANK

Interim Consolidated Statement of Changes in Equity (continued) For the Nine Months Ended 30 September 2015 (Unaudited) (Millions of Kazakhstani Tenge)

	Share capital				Treasury shares			Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total equity
	Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*				
31 December 2014	83,571	46,891	13,233	1,439	(39,973)	(39,021)	(845)	(9,292)	17,341	401,877	475,221
Net income	-	-	-	-	-	-	-	-	-	91,975	91,975
Other comprehensive income/(loss)	-	-	-	-	-	-	3,216	(3,890)	(19)	11	(682)
Total comprehensive income/(loss)	-	-	-	-	-	-	3,216	(3,890)	(19)	91,986	91,293
Treasury shares purchased	-	-	-	(275)	(8)	(24,179)	-	-	-	-	(24,462)
Treasury shares sold	-	-	-	891	7	-	-	-	-	-	898
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(2,544)	(2,544)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(34,258)	(34,258)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(816)	816	-
30 September 2015 (unaudited)	83,571	46,891	13,233	2,055	(39,974)	(63,200)	2,371	(13,182)	16,506	457,877	506,148

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

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

14 November 2016
Almaty, Kazakhstan


Pavel A. Cheussov
Chief Accountant

14 November 2016
Almaty, Kazakhstan

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

JSC HALYK BANK

Interim Consolidated Statement of Cash Flows For the Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)


	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from cash equivalents and amounts due from credit institutions	11,344	2,104
Interest received from financial assets at fair value through profit or loss	17,551	66
Interest received on available-for-sale investment securities	17,215	14,368
Interest received on held to maturity investments	641	-
Interest received from loans to customers	183,155	143,743
Interest paid on due to customers	(84,893)	(40,431)
Interest paid on due to credit institutions	(5,737)	(3,757)
Interest paid on debt securities issued	(33,290)	(22,429)
Fee and commission received	41,890	38,606
Fee and commission paid	(9,024)	(7,696)
Insurance underwriting income received	14,655	11,235
Ceded insurance share paid	(2,748)	(3,311)
Other income received	3,970	8,144
Operating expenses paid	(38,822)	(42,343)
Insurance reimbursements paid	(12,880)	(11,824)
Cash flows from operating activities before changes in net operating assets	103,027	86,475
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(3,253)	(8,200)
Financial assets at fair value through profit or loss	(235,883)	(107,928)
Amounts due from credit institutions	11,766	(9,818)
Precious metals	(9)	(98)
Loans to customers	(7,067)	(81,811)
Assets held-for-sale	1,195	(2,643)
Investment property	(5,661)	(17,478)
Insurance assets	(3,171)	(4,539)
Other assets	2,364	(23,294)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	106,191	147,243
Amounts due to credit institutions	8,074	45,294
Financial liabilities at fair value through profit or loss	(4,858)	4,815
Insurance liabilities	12,974	17,716
Other liabilities	523	3,668
Net cash (outflow)/inflow from operating activities before income tax	(13,788)	49,402
Income tax received/(paid)	7,373	(20,855)
Net cash (outflow)/inflow from operating activities	(6,415)	28,547
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of available-for-sale investment securities	179,954	121,793
Purchase of available-for-sale investment securities	(187,717)	(62,457)
Purchase of held to maturity investments	(43,601)	-
Purchase and prepayment for property and equipment and intangible assets	(26,466)	(11,559)
Proceeds on sale of property and equipment	10,934	1,740
Net cash (outflow)/inflow from investing activities	(66,896)	49,517

JSC HALYK BANK

Interim Consolidated Statement of Cash Flows (continued) For the Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of compensation for exchange of preferred shares to common shares		(96)	-
Proceeds on sale of treasury shares		(417)	898
Purchase of treasury shares		444	(24,462)
Dividends paid – preferred shares		(333)	(2,544)
Dividends paid – common shares		-	(34,258)
Redemption and repayment of debt securities issued		(32,781)	(6,727)
Proceeds from debt securities issued		29,786	127,113
<hr/>			
Net cash (outflow)/inflow from financing activities		(3,397)	60,020
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Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		2,768	341,734
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Net change in cash and cash equivalents		(73,940)	479,818
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CASH AND CASH EQUIVALENTS, beginning of the period	5	1,404,680	540,537
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CASH AND CASH EQUIVALENTS, end of the period	5	1,330,740	1,020,355

On behalf of the Management Board:


Aliya S. Karpykova
Acting Chairperson of the Board

14 November 2016
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant

14 November 2016
Almaty, Kazakhstan

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

JSC HALYK BANK

Selected Explanatory Notes to The Interim Condensed Consolidated Financial Information For the Nine Months Ended 30 September 2016 (Unaudited) *(Millions of Kazakhstani Tenge)*

1. PRINCIPAL ACTIVITIES

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

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

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

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

Legal proceedings

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

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, 2015 and then in the first half of 2016, the oil price decreased significantly, which led to significant decrease in national export revenue. On 20 August 2015, the Government and the NBRK announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first half of 2016 the tenge depreciated significantly against major foreign currencies. In October 2016, the NBRK lowered its base rate from 13% to 12.5%. Stabilization of the oil price in the third quarter of 2016 led to the decline of this rate.

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

JSC HALYK BANK

**Selected Explanatory Notes to The Interim Condensed Consolidated Financial Information
For the Nine Months Ended 30 September 2016 (Unaudited) (continued)**
(Millions of Kazakhstani Tenge)

1. PRINCIPAL ACTIVITIES (continued)

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

30 September 2016 (unaudited)						
	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	8,086,451,772	73.6%	8,086,451,772	73.6%	-	-
JSC Single accumulative pension fund	716,281,746	6.5%	716,281,746	6.5%	-	-
GDR holders	1,852,276,360	16.8%	1,852,276,360	16.8%	-	-
Other	338,624,330	3.1%	338,624,330	3.1%	-	-
Total shares in circulation (on consolidated basis)	10,993,634,208	100%	10,993,634,208	100%	-	-
31 December 2015						
	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	8,024,149,068	73.4%	8,003,381,500	73.4%	20,767,568	99.8%
JSC Single accumulative pension fund	716,281,746	6.6%	716,281,746	6.5%	-	-
GDR holders	1,840,058,240	16.8%	1,840,058,240	16.9%	-	-
Other	349,774,984	3.2%	349,729,065	3.2%	45,919	0.2%
Total shares in circulation (on consolidated basis)	10,930,264,038	100%	10,909,450,551	100%	20,813,487	100%

As at 30 September 2016, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 365 cash settlement units (31 December 2015 – 22, 122 and 377, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 40 Al-Farabi Avenue, Almaty, 050059, Republic of Kazakhstan.

As at 30 September 2016, the number of the Group's full-time employees was 11,252 (31 December 2015 -11,827).

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2016 was authorized for issue by the Management Board on 14 November 2016.

JSC HALYK BANK

Selected Explanatory Notes to The Interim Condensed Consolidated Financial Information For the Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

2. BASIS OF PRESENTATION

Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2015 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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4. SIGNIFICANT ACCOUNTING ESTIMATES

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	30 September 2016 (unaudited)	31 December 2015
Cash on hand	137,090	118,891
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	152,666	116,478
Short-term deposits with OECD based banks	438,015	125,808
Overnight deposits with OECD based banks	75,479	-
Correspondent accounts with NBRK	489,591	1,019,059
Short-term deposits with Kazakhstan banks (including loans under reverse repurchase agreements)	14,901	11,518
Correspondent accounts with non-OECD based banks	19,352	12,206
Short-term deposits with non-OECD based banks	3,646	720
	1,330,740	1,404,680

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

	30 September 2016 (unaudited)		31 December 2015	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.4%-1.5%	-	0.3%-0.9%
Overnight deposits with OECD based banks	-	0.2%-0.4%	-	-
Short-term deposits with Kazakhstan banks	12.0%-13.3%	10.4%	10.0%-150.0%	0.3%-2.5%
Short-term deposits with non-OECD based banks	-	4.0%-6.5%	-	3.0%-4.0%

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

	30 September 2016 (unaudited)		31 December 2015	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Treasury bills of the Ministry of Finance of the Republic Kazakhstan	14,247	14,077	8,320	10,012
	14,247	14,077	8,320	10,012

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

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6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	30 September 2016 (unaudited)	31 December 2015
Recorded as loans and receivables in accordance with IAS 39:		
Cash and due from banks allocated to obligatory reserves	71,642	68,389

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan and Georgia and the Central Bank of Russian Federation. As at 30 September 2016, obligatory reserves of the Bank's subsidiaries - JSC Altyn Bank, OJSC Halyk Bank Kyrgyzstan, OJSC NBK-Bank and JSC Halyk Bank Georgia comprised KZT 12,604 million (31 December 2015 – KZT 9,340 million). An increase in the amount of obligatory reserves as at 30 September 2016 is associated with a change in the regulatory requirements of Georgia effective from 17 May 2016.

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

Financial assets at fair value through profit or loss comprise:

	30 September 2016 (unaudited)	31 December 2015
Financial assets held for trading:		
Notes of NBRK	255,254	-
Derivative financial instruments	151,505	175,313
Treasury bills of Poland	3,831	-
Treasury bills of USA	1,070	-
Corporate bonds	861	909
Bonds of JSC Development Bank of Kazakhstan	212	199
Bonds of Kazakhstan banks	200	293
Equity securities of Kazakhstan corporations	104	106
Bonds of foreign organizations	101	124
Equity securities of foreign organizations	70	78
Equity securities of Kazakhstan banks	-	48
	413,208	177,070

Financial liabilities at fair value through profit or loss comprise:

	30 September 2016 (unaudited)	31 December 2015
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	727	5,593

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

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

	30 September 2016 (unaudited) Interest rate, %	31 December 2015 Interest rate, %
Notes of NBRK	13.8%	-
Treasury bills of Poland	2.0%	-
Treasury bills of the USA	1.7%	-
Corporate bonds	6.6%	6.6%
Bonds of JSC Development Bank of Kazakhstan	5.9%	5.3%
Bonds of Kazakhstan banks	9.7%	10.5%
Bonds of foreign organizations	6.9%	6.3%

Derivative financial instruments comprise:

	30 September 2016 (unaudited)			31 December 2015		
	Notional amount	Asset	Fair value Liability	Notional amount	Asset	Fair value Liability
Foreign currency contracts:						
Swaps	420,440	151,183	420	454,075	175,308	1,043
Forwards	12,566	315	289	14,546	-	4,285
Spots	1,113	7	18	28,627	5	265
		151,505	727		175,313	5,593

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

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 September 2016 (unaudited)	31 December 2015
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	17,809	25,584
Loans to credit institutions	11,788	14,307
Deposit pledged as collateral for derivative financial instruments	2,629	5,109
	32,226	45,000
Less – Allowance for impairment (Note 16)	(9)	(7)
	32,217	44,993

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8. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

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

	30 September 2016 (unaudited)		31 December 2015	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Term deposits	0.5%-18.0%	2016-2017	1.0%-27.0%	2016-2017
Loans to credit institutions	8.2%	2017	8.2%	2017
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2016	0.2%-1.8%	2016

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	30 September 2016 (unaudited)	31 December 2015
Corporate bonds	135,528	141,428
Notes of NBRK	120,403	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	119,044	165,040
Bonds of JSC Development Bank of Kazakhstan	39,247	35,976
Bonds of Kazakhstan banks	13,228	17,606
Bonds of foreign organizations	5,378	9,336
Equity securities of Kazakhstan corporations	4,980	3,024
Treasury bills of Georgia	2,375	2,755
Treasury bills of the Russian Federation	810	653
Treasury bills of the Kyrgyz Republic	711	208
Equity securities of foreign corporations	-	2,140
Notes of National Bank of Kyrgyz Republic	-	354
	441,704	378,520

As at 30 September 2016 and 31 December 2015, available-for-sale investment securities included Treasury bills of the Ministry of Finance of the Republic of Kazakhstan at fair value of KZT 35,933 million and KZT 51,763 million, respectively, which 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 in the table below are calculated as weighted average of the effective interest rates for the respective securities.

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9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES (continued)

	30 September 2016 (unaudited)		31 December 2015	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Corporate bonds	5.8%	2016-2029	6.9%	2016-2029
Notes of NBRK	14.1%	2016-2017	-	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5.8%	2016-2031	5.6%	2016-2045
Bonds of JSC Development Bank of Kazakhstan	4.5%	2022-2026	4.5%	2022-2026
Bonds of Kazakhstan banks	11.0%	2016-2049	12.1%	2016-2049
Bonds of foreign organizations	5.6%	2016-2025	5.0%	2016-2022
Treasury bills of Georgia	10.3%	2016-2024	10.1%	2016-2024
Treasury bills of the Russian Federation	8.1%	2021	9.8%	2021
Treasury bills of the Kyrgyz Republic	11.0%	2017	12.4%	2016
Notes of National Bank of Kyrgyz Republic	-	-	10.5%	2016

On 21 July 2016, the Management of the Group decided to reclassify Eurobonds of the Ministry of Finance of the Republic of Kazakhstan for total amount of USD 14.6 million maturing in 2045 from held to maturity investment portfolio to available-for-sale investment portfolio. The Group will not classify any financial assets as investments held to maturity for two financial years following the year of reclassification.

10. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 September 2016 (unaudited)	31 December 2015
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	2,503,822	2,477,685
Overdrafts	1,942	3,498
	2,505,764	2,481,183
Less – Allowance for loan impairment losses (Note 16)	(302,438)	(305,114)
Loans to customers	2,203,326	2,176,069

Weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the nine months ended 30 September 2016 average interest rate on loans was 13.0% (for the year ended 31 December 2015 – 12.5%).

As at 30 September 2016, the Group's loan concentration to the ten largest borrowers was KZT 515,431 million, which comprised 21% of the Group's total gross loan portfolio (as at 31 December 2015 – KZT 524,728 million; 21%) and 82% of the Group's total equity (as at 31 December 2015 – 99%).

As at 30 September 2016, the allowance for loan impairment losses created against these loans was KZT 44,578 million (as at 31 December 2015 – KZT 60,784 million).

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10. LOANS TO CUSTOMERS (continued)

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

	30 September 2016 (unaudited)	%	31 December 2015	Share
Retail loans:				
- consumer loans	437,274	17%	407,905	16%
- mortgage loans	191,757	8%	197,165	8%
	629,031		605,070	
Services	405,902	16%	394,027	16%
Wholesale trade	352,556	14%	442,797	18%
Construction	187,058	8%	168,393	7%
Real estate	156,081	6%	157,413	6%
Retail trade	144,347	6%	150,353	6%
Agriculture	118,478	5%	118,948	5%
Mining	78,224	3%	54,936	2%
Energy	65,061	3%	28,628	1%
Transportation	62,074	3%	59,415	2%
Communication	57,082	2%	60,483	2%
Financial services	51,722	2%	39,394	2%
Hotel industry	34,467	1%	32,581	1%
Oil and gas	33,283	1%	36,777	2%
Food industry	30,833	1%	31,897	1%
Chemical industry	23,982	1%	14,678	1%
Metallurgy	23,631	1%	25,610	1%
Machinery	18,028	1%	15,499	1%
Light industry	9,239	0%	7,004	0%
Other	24,685	1%	37,280	2%
	2,505,764	100%	2,481,183	100%

As at 30 September 2016, accrued interest on loans comprised KZT 143,892 million (as at 31 December 2015 – KZT 138,495 million).

As at 30 September 2016 and 31 December 2015 loans to customers included loans of KZT 148,474 million and KZT 188,582 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

11. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	30 September 2016 (unaudited)	31 December 2015
Unearned reinsurance premium	15,607	12,859
Reinsurance amounts	2,026	1,556
	17,633	14,415
Premiums receivable	12,832	9,442
Insurance assets	30,465	23,857

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11. INSURANCE ASSETS AND LIABILITIES (continued)

Insurance liabilities comprised the following:

	30 September 2016 (unaudited)	31 December 2015
Reserves for insurance claims	30,472	24,797
Gross unearned insurance premium reserve	24,329	19,043
	54,801	43,840
Payables to reinsurers and agents	10,079	7,143
Insurance liabilities	64,880	50,983

12. OTHER ASSETS

Other assets comprise:

	30 September 2016 (unaudited)	31 December 2015
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	8,026	8,171
Accrued commission income	2,386	806
Debtors on non-banking activities	1,357	1,802
Others	36	15
	11,805	10,794
Less – Allowance for impairment (Note 16)	(4,820)	(4,568)
	6,985	6,226
Other non-financial assets:		
Prepayments for property and equipment	2,521	7,601
Advances for taxes other than income tax	1,363	753
Inventory	1,350	1,039
Other investments	270	65
Others	2,467	3,082
	7,971	12,540
	14,956	18,766

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13. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	30 September 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Term deposits:		
Individuals	1,334,113	1,276,609
Legal entities	958,954	868,833
	<u>2,293,067</u>	<u>2,145,442</u>
Current accounts:		
Legal entities	662,700	701,468
Individuals	215,752	196,821
	<u>878,452</u>	<u>898,289</u>
	<u>3,171,519</u>	<u>3,043,731</u>

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

As at 30 September 2016 and 31 December 2015, term deposits from legal entities included a deposit from JSC The Fund of Problem Loans for KZT 28,600 million. The deposit was placed for 20 years till 2035 at 2.99% per annum. Under the terms of the deposit agreement, the Group is responsible to use deposit funds for refinancing of residential mortgage loans of its borrowers at 3.0% per annum within the framework of Government Mortgage and Residential Mortgage Refinancing Program.

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

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

Customer accounts by sectors were as follows:

	30 September 2016 (unaudited)	Share	31 December 2015	Share
Individuals and entrepreneurs	1,549,865	49%	1,473,430	48%
Oil and gas	598,510	19%	604,738	20%
Other consumer services	146,348	5%	142,768	5%
Transportation	134,648	4%	131,926	4%
Financial sector	122,521	4%	112,462	4%
Wholesale trade	115,862	4%	151,395	5%
Government	73,316	2%	20,309	1%
Metallurgy	69,344	2%	48,406	1%
Construction	48,730	2%	82,841	3%
Healthcare and social services	43,192	1%	65,434	2%
Energy	41,084	1%	45,280	1%
Communication	39,227	1%	15,714	1%
Education	27,735	1%	23,547	1%
Insurance and pension funds activity	11,995	0%	8,368	0%
Other	149,142	5%	117,113	4%
	<u>3,171,519</u>	<u>100%</u>	<u>3,043,731</u>	<u>100%</u>

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14. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 September 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks	41,858	53,945
Loans from JSC National Managing Holding KazAgro	39,654	41,866
Loans from JSC Entrepreneurship Development Fund DAMU	36,524	32,882
Correspondent accounts	26,328	8,420
Loans from JSC Development Bank of Kazakhstan	22,368	19,365
Loans and deposits from OECD based banks	6,348	6,976
Loans from other financial institutions	3,195	1,791
Loans and deposits from non-OECD based banks	2,002	8
Overnight deposits	500	3,005
	178,777	168,258

As at 30 September 2016, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 39,601 million (31 December 2015 - KZT 41,810 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

As at 30 September 2016, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 36,228 million (31 December 2015 - KZT 32,721 million) at 2.0% interest rate maturing in 2034 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

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

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

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14. AMOUNTS DUE TO CREDIT INSTITUTIONS (continued)

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

	30 September 2016 (unaudited)		31 December 2015	
	Interest Rate	Maturity, year	Interest Rate	Maturity, year
Loans and deposits from Kazakhstan banks	12.0%-12.5%	2016	3.2%-11.4%	2016
Loans from JSC National Managing Holding KazAgro	3.0%	2019-2022	3.0%	2019-2022
Loans from JSC Entrepreneurship Development Fund DAMU	2.0%	2016-2035	2.0%	2016-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2016-2035	1.0%-2.0%	2016-2035
Loans and deposits from OECD based banks	2.3%-6.5%	2016-2023	1.1%-6.5%	2016-2023
Loans from other financial institutions	6.2%-10.0%	2016-2023	4.8%-6.2%	2016
Loans and deposits from non-OECD based banks	10.0%	2016	0.7%-7.0%	2016-2017
Overnight deposits	10.0%	2016	60.0%	2016

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

	30 September 2016 (unaudited) Fair value of collateral		31 December 2015 Fair value of collateral	
	Investments available-for-sale (Note 9)	Carrying amount of loans	Investments available-for-sale (Note 9)	Carrying amount of loans
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	35,933	34,813	51,763	45,242

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

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

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

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

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15. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	30 September 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	5,174	4,989
Reverse inflation indexed KZT denominated bonds	-	4,051
Total subordinated debt securities outstanding	5,174	9,040
Unsubordinated debt securities issued:		
USD denominated bonds	361,129	363,829
KZT denominated bonds	224,747	224,656
Total unsubordinated debt securities outstanding	585,876	588,485
Total debt securities issued	591,050	597,525

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

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

As at 30 September 2016, accrued interest on debt securities issued was KZT 11,972 million (as at 31 December 2015 – KZT 11,990 million).

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 30 September 2016 and 31 December 2015 the Group was in compliance with the covenants of the agreements that the Group has with the notes' trustees and holders.

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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 2016 (unaudited)	(300,517)	-	(4,967)	(4,608)	(310,092)
Additional provisions recognized	(41,812)	(9)	(38)	(1,612)	(43,471)
Recovery of provision	33,356	-	567	1,234	35,157
Write-offs	5,715	-	82	103	5,900
Foreign exchange differences	820	-	(13)	63	870
30 September 2016 (unaudited)	(302,438)	(9)	(4,369)	(4,820)	(311,636)
30 June 2015 (unaudited)	(281,038)	(5)	(3,086)	(4,629)	(288,758)
Additional provisions recognized	(51,026)	(1)	(847)	(1,932)	(53,806)
Recovery of provision	44,834	-	-	2,056	46,890
Write-offs	21,278	-	-	9	21,287
Foreign exchange differences	(31,618)	-	20	(208)	(31,806)
30 September 2015 (unaudited)	(297,570)	(6)	(3,913)	(4,704)	(306,193)
31 December 2015	(305,114)	(7)	(5,516)	(4,568)	(315,205)
Additional provisions recognized	(106,519)	(9)	(693)	(4,656)	(111,877)
Recovery of provision	87,841	7	904	4,113	92,865
Write-offs	20,300	-	948	151	21,399
Foreign exchange differences	1,054	-	(12)	140	1,182
30 September 2016 (unaudited)	(302,438)	(9)	(4,369)	(4,820)	(311,636)
31 December 2014	(286,018)	-	(1,867)	(4,297)	(292,182)
Additional provisions recognized	(111,038)	(6)	(2,665)	(5,872)	(119,581)
Recovery of provision	105,300	-	25	5,715	111,040
Write-offs	28,308	-	535	9	28,852
Foreign exchange differences	(34,122)	-	59	(259)	(34,322)
30 September 2015 (unaudited)	(297,570)	(6)	(3,913)	(4,704)	(306,193)

During the nine months ended 30 September 2016 and 2015, the Group has written off loans of KZT 20,300 million and KZT 28,308 million, respectively, without being considered forgiveness of the loan, therefore for tax purposes such write-offs are not subject to corporate income tax.

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16. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS (continued)

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

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
At the beginning of the period	(956)	(387)	(982)	(407)
Additional provisions recognized	(239)	(302)	(504)	(573)
Recovery of provisions	248	66	553	339
Foreign exchange differences	5	(144)	(9)	(126)
At the end of the period	(942)	(767)	(942)	(767)

17. TAXATION

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

The income tax expense comprises:

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Current tax charge	6,587	2,105	19,254	3,926
Deferred tax (benefit)/expense relating to origination and reversal of temporary differences	(1,220)	6,723	(1,940)	18,198
Income tax expense	5,367	8,828	17,314	22,124

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17. TAXATION (continued)

Deferred tax assets and liabilities comprise:

	30 September 2016 (unaudited)	31 December 2015
Tax effect of deductible temporary differences:		
Tax loss carry forward	3,837	3,531
Bonuses accrued	1,528	1,936
Fair value of derivatives	1,466	1,305
Vacation pay accrual	333	349
Other	49	113
Deferred tax asset	7,213	7,234
Tax effect of taxable temporary differences:		
Fair value of derivatives and available-for-sale investment securities	(28,494)	(31,260)
Property and equipment, accrued depreciation	(7,982)	(5,054)
Allowance for loans to customers	(4,224)	(3,966)
Core deposit intangible	(281)	(348)
Other	(16)	(2,049)
Deferred tax liability	(40,997)	(42,677)
Net deferred tax liability	(33,784)	(35,443)

Current income tax assets/(liabilities) comprise:

	30 September 2016 (unaudited)	31 December 2015
Current income tax assets	2,781	16,469
Current income tax liabilities	(11,378)	(379)
Current income tax (liability)/asset	(8,597)	16,090

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

	30 September 2016 (unaudited)	31 December 2015
Deferred tax asset	931	1,919
Deferred tax liability	(34,715)	(37,362)
Net deferred tax liability	(33,784)	(35,443)

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

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18. OTHER LIABILITIES

Other liabilities comprise:

	30 September 2016 (unaudited)	31 December 2015
Other financial liabilities:		
Salary payable	9,926	10,790
Payable for general and administrative expenses	1,498	779
Creditors on bank activities	604	488
Creditors on non-banking activities	500	299
Others	571	375
	<hr/> 13,099	<hr/> 12,731
Other non-financial liabilities:		
Creditors on commercial property	2,609	4,050
Taxes payable other than income tax	1,856	2,183
Advances received	1,412	1,233
	<hr/> 5,877	<hr/> 7,466
	<hr/> <hr/> 18,976	<hr/> <hr/> 20,197

19. EQUITY

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

	30 September 2016 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	25,000,000,000		(12,311,142,941)	12,688,857,059	(1,695,222,851)	10,993,634,208
	30 September 2015 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000		(12,871,481,549)	11,128,518,451	(218,631,968)	10,909,886,483
Non-convertible preferred shares	600,000,000		(290,140,570)	309,859,430	(289,415,498)	20,443,932
Convertible preferred shares	80,225,222		-	80,225,222	(79,855,667)	369,555

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19. EQUITY (continued)

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2015	10,909,450,551	20,443,932	369,555	43,597	(5,154)	2,077
Purchases of treasury shares	(9,979,376)	-	-	(390)	-	-
Sale of treasury shares	9,609,241	-	-	444	-	-
Exchange of preferred shares to common shares	84,553,792	(20,443,932)	(369,555)	(3,077)	5,154	(2,077)
30 September 2016 (unaudited)	10,993,634,208	-	-	40,574	-	-
31 December 2014	10,909,898,713	109,300,945	79,861,400	43,598	7,870	13,233
Purchases of treasury shares	(7,624,228)	(93,050,844)	(79,740,576)	(8)	(13,024)	(11,156)
Sale of treasury shares	7,611,998	4,193,831	248,731	7	-	-
30 September 2015 (unaudited)	10,909,886,483	20,443,932	369,555	43,597	(5,154)	2,077

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

Common shares

At 30 September 2016, the Group held 1,695,222,851 of the Group's common shares as treasury shares at KZT 103,121 million (30 September 2015 – 218,631,968 shares at KZT 39,974 million).

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

Share premium reserve

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

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Selected Explanatory Notes to The Interim Condensed Consolidated Financial Information For the Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

20. COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies

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

	30 September 2016 (unaudited)	31 December 2015
Guarantees issued	193,073	186,306
Commitments to extend credit	37,460	35,178
Commercial letters of credit	15,772	17,064
Financial commitments and contingencies	246,305	238,548
Less: cash collateral against letters of credit	(13,246)	(18,675)
Less: provisions (Note 16)	(942)	(982)
Financial commitments and contingencies, net	232,117	218,891

Guarantees issued represent bank guarantees issued by the Group by order of its clients and which are in effect as at the reporting date. As at 30 September 2016, the ten largest guarantees accounted for 71% of the Group's total financial guarantees (as at 31 December 2015 – 74%) and represented 22% of the Group's total equity (as at 31 December 2015 – 26%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients and under which as at the reporting date, the payment has not yet been made. As at 30 September 2016, the ten largest uncovered letters of credit accounted for 93% of the Group's total commercial letters of credit (31 December 2015 – 93%) and represented 2% of the Group's total equity (31 December 2015 – 3%).

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

Capital commitments

As at 30 September 2016 and 31 December 2015, the Group's capital expenditure commitments for construction in progress were KZT 3,333 million and KZT 7,861 million, respectively.

Operating lease commitments

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

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21. NET INTEREST INCOME

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on individually assessed unimpaired assets	35,895	24,647	110,398	74,146
- interest income on collectively assessed assets	29,563	24,895	87,497	71,473
- interest income on individually assessed impaired assets	9,530	8,445	23,650	20,442
Interest income on available-for-sale investment securities	8,007	5,300	21,326	15,448
Interest income on financial assets at fair value through profit or loss	9,953	15	17,606	79
Total interest income	92,948	63,302	260,477	181,588
Interest income on financial assets recorded at amortized cost:				
Interest income on loans to customers	72,648	56,886	211,085	163,313
Interest income on amounts due from credit institutions and cash and cash equivalents	2,340	1,101	10,460	2,748
Total interest income on financial assets recorded at amortized cost	74,988	57,987	221,545	166,061
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	9,953	15	17,606	79
Total interest income on financial assets at fair value through profit or loss	9,953	15	17,606	79
Interest income on available-for-sale investment securities	8,007	5,300	21,326	15,448
Total interest income	92,948	63,302	260,477	181,588
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(43,003)	(24,455)	(126,686)	(67,252)
Total interest expense	(43,003)	(24,455)	(126,686)	(67,252)
Interest expense on financial liabilities recorded at amortized cost:				
Interest expense on amounts due to customers	(29,890)	(14,328)	(86,269)	(40,252)
Interest expense on debt securities issued	(11,458)	(9,214)	(34,579)	(23,484)
Interest expense on amounts due to credit institutions	(1,655)	(913)	(5,838)	(3,516)
Total interest expense on financial liabilities recorded at amortized cost	(43,003)	(24,455)	(126,686)	(67,252)
Net interest income before impairment charge	49,945	38,847	133,791	114,336

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22. FEES AND COMMISSIONS

Fees and commissions derived from the following sources:

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Bank transfers - settlements	3,998	3,625	11,268	10,345
Payment cards maintenance	2,883	2,409	8,245	6,934
Cash operations	2,720	2,421	7,436	6,645
Customers' pension payments service	1,744	1,476	5,159	4,361
Bank transfers - salary projects	1,574	1,605	5,109	5,044
Letters of credit and guarantees issued	1,057	834	3,056	2,373
Customer accounts maintenance	574	407	1,562	1,175
Other	580	579	1,636	1,995
	15,130	13,356	43,471	38,872

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

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

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:				
Unrealized net (loss)/gain on trading and derivative operations	(4,452)	104,526	(3,024)	104,971
Realized net gain/(loss) on trading operations	91	(1)	221	(50)
Realized net (loss)/gain on derivative operations	(1,067)	2,661	(7,204)	2,532
Total net (loss)/gain on operations with financial assets and liabilities classified as held for trading	(5,428)	107,186	(10,007)	107,453

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24. NET FOREIGN EXCHANGE GAIN/(LOSS)

Net foreign exchange gain/(loss) comprises:

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Dealing, net	4,035	(1,245)	10,076	6,776
Translation differences, net	3,298	(89,997)	5,130	(94,242)
Net foreign exchange gain/(loss)	7,333	(91,242)	15,206	(87,466)

25. INSURANCE UNDERWRITING INCOME

Insurance underwriting income/expense comprised:

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Insurance premiums written, gross	15,120	11,602	44,632	39,301
Ceded reinsurance share	(7,373)	(6,442)	(21,930)	(17,751)
Change in unearned insurance premiums, net	(140)	1,620	(2,760)	(3,605)
	7,607	6,780	19,942	17,945
Insurance payments	(2,408)	(2,761)	(7,780)	(7,424)
Insurance reserves expenses	(1,780)	(2,173)	(4,884)	(4,530)
Commissions to agents	(2,660)	(1,271)	(5,379)	(4,587)
	(6,848)	(6,205)	(18,043)	(16,541)
Total insurance income	759	575	1,899	1,404

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26. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Salaries and other employee benefits	10,402	9,900	30,306	28,571
Depreciation and amortization expenses	1,684	1,512	4,800	4,627
Taxes other than income tax	921	1,004	2,672	2,720
Information services	696	420	1,642	1,039
Rent	575	605	1,962	1,681
Security	514	490	1,499	1,417
Utilities expenses	434	358	1,271	1,106
Repairs and maintenance	412	553	1,356	1,318
Communication	410	382	1,206	1,178
Stationery and office supplies	217	155	612	522
Advertisement	182	226	515	628
Business trip expenses	160	203	424	535
Insurance agent fees	157	136	435	428
Transportation	125	118	377	351
Charity	109	17	278	146
Professional services	103	235	330	411
Hospitality expenses	30	21	57	53
Expenses from sale of property and equipment and intangible assets	12	-	222	299
Social events	3	15	8	27
Other	573	829	1,928	1,707
	17,719	17,179	51,900	48,764

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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 dividend payments per preferred share for the same period. Therefore, net profit for the period is allocated to the common shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Basic earnings per share				
Net income for the period attributable to equity holders of the parent	36,864	35,698	94,001	91,975
Less: Dividends paid on preference shares	-	-	(333)	(2,544)
Earnings attributable to common shareholders	36,864	36,698	93,668	89,431
Weighted average number of common shares for the purposes of basic earnings per share	10,992,463,961	10,910,295,096	10,482,018,323	10,910,101,819
Basic earnings per share (in Tenge)	3.35	3.36	8.94	8.20
Diluted earnings per share				
Earnings used in the calculation of basic earnings per share	36,864	36,698	93,668	89,431
Add: Dividends paid on convertible preferred shares	-	-	9	1,078
Less: Amounts payable to convertible preferred shareholders upon conversion*	(96)	(56)	(96)	(6,091)
Earnings used in the calculation of total diluted earnings per share	36,768	36,642	93,581	84,418
Weighted average number of common shares for the purposes of basic earnings per share	10,992,463,961	10,910,295,096	10,482,018,323	10,910,101,819
Weighted average number of common shares that would be issued for the convertible preferred shares*	-	470,270	324,637	51,401,960
Weighted average number of common shares for the purposes of diluted earnings per share	10,992,463,961	10,910,765,366	10,482,342,960	10,961,503,779
Diluted earnings per share (in Tenge)	3.34	3.36	8.93	7.70

* The Group performed exchange of preferred shares and preferred shares convertible into common shares to common shares (see Note 19).

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27. EARNINGS PER SHARE (continued)

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

Class of shares	30 September 2016 (unaudited)		Book value of one share, in KZT
	Outstanding shares	Equity	
Common	10,993,634,208	623,334	56.70
		623,334	

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

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

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

28. FINANCIAL RISK MANAGEMENT

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

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

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28. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

Liquidity Risk

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

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

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

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28. FINANCIAL RISK MANAGEMENT (continued)

	30 September 2016 (unaudited)					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	
FINANCIAL ASSETS:						
Cash and cash equivalents	1,330,740	-	-	-	-	1,330,740
Obligatory reserves	40,370	11,048	16,270	3,429	525	71,642
Financial assets at fair value through profit or loss	263,575	77,340	-	72,293	-	413,208
Amounts due from credit institutions	3,651	3,592	16,770	5,427	2,777	32,217
Available-for-sale investment securities	3,624	25,709	138,184	136,726	137,461	441,704
Loans to customers	152,603	209,931	1,396,857	333,565	110,370	2,203,326
Other financial assets	5,800	400	731	26	28	6,985
	1,800,363	328,020	1,568,812	551,466	251,161	4,499,822
FINANCIAL LIABILITIES:						
Amounts due to customers	1,503,134	713,072	702,108	184,246	68,959	3,171,519
Amounts due to credit institutions	67,017	2,192	6,310	30,014	73,244	178,777
Financial liabilities at fair value through profit or loss	727	-	-	-	-	727
Debt securities issued	-	8,867	198,952	162,594	220,637	591,050
Other financial liabilities	10,665	1,065	1,289	75	5	13,099
	1,581,543	725,196	908,659	376,929	362,845	3,955,172
Net position	218,820	(397,176)	660,153	174,537	(111,684)	
Accumulated gap	218,820	(178,356)	481,797	656,334	544,650	

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28. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

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28. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

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

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

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

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

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

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28. FINANCIAL RISK MANAGEMENT (continued)

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

	30 September 2016 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,154,928	36,402	16,069	23,839	1,231,238	99,502	1,330,740
Obligatory reserves	49,714	1,170	325	1,294	52,503	19,139	71,642
Financial assets at fair value through profit or loss	5,629	-	-	112	5,741	407,467	413,208
Amounts due from credit institutions	3,856	-	1,058	-	4,914	27,303	32,217
Available-for-sale investment securities	179,194	3,757	4,214	722	187,887	253,817	441,704
Loans to customers	678,477	4,063	17,199	12,694	712,433	1,490,893	2,203,326
Other financial assets	106	77	156	325	664	6,321	6,985
	2,071,904	45,469	39,021	38,986	2,195,380	2,304,442	4,499,822
FINANCIAL LIABILITIES							
Amounts due to customers	2,055,402	53,105	4,947	12,582	2,126,036	1,045,483	3,171,519
Amounts due to credit institutions	28,803	301	2,885	1,670	33,659	145,118	178,777
Financial liabilities at fair value through profit or loss	-	-	-	-	-	727	727
Debt securities issued	361,112	-	-	-	361,112	229,938	591,050
Other financial liabilities	756	127	289	354	1,526	11,573	13,099
	2,446,073	53,533	8,121	14,606	2,522,333	1,432,839	3,955,172
Net position – on balance	(374,169)	(8,064)	30,900	24,380	(326,953)	871,603	544,650
Net position – off-balance	395,387	8,948	(18,833)	(24,910)	360,592	(205,915)	
Net position	21,218	884	12,067	(530)	33,639	665,688	

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28. FINANCIAL RISK MANAGEMENT (continued)

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

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Selected Explanatory Notes to The Interim Condensed Consolidated Financial Information For the Nine Months Ended 30 September 2016 (Unaudited) *(Millions of Kazakhstani Tenge)*

29. SEGMENT ANALYSIS

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

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

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

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

Other represents capital market services.

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

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

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

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Selected Explanatory Notes to The Interim Condensed Consolidated Financial Information For the Nine Months Ended 30 September 2016 (Unaudited) (Millions of Kazakhstani Tenge)

29. SEGMENT ANALYSIS (continued)

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

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 30 September 2016 and for the nine months then ended						
External revenues	111,995	127,981	31,420	48,361	26,230	345,987
Total revenues	111,995	127,981	31,420	48,361	26,230	345,987
Total revenues comprise:						
- Interest income	80,289	117,357	23,795	39,036	-	260,477
- Fee and commission income	31,872	4,718	4,921	1,536	424	43,471
- Net realized gain from available-for-sale investment securities	-	-	-	2,872	-	2,872
- Net foreign exchange (loss)/gain	(166)	5,912	2,681	4,890	1,889	15,206
- (Additional provisions recognized)/recoveries of provision	-	(6)	23	27	5	49
- Insurance underwriting income and other income	-	-	-	-	23,912	23,912
Total revenues	111,995	127,981	31,420	48,361	26,230	345,987
- Interest expense	(48,238)	(75,216)	(3,232)	-	-	(126,686)
- (Impairment charge)/recovery of provisions	(5,463)	(5,224)	(7,650)	61	(736)	(19,012)
- Fee and commission expense	(8,123)	(341)	(155)	(159)	(246)	(9,024)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(24,671)	14,067	(1,571)	911	1,257	(10,007)
- Operating expenses	(29,587)	(3,320)	(5,191)	(4,406)	(9,396)	(51,900)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(18,043)	(18,043)
Segment result	(4,087)	57,947	13,621	44,768	(934)	111,315
Income before income tax expense						111,315
Income tax expense						(17,314)
Net income						94,001
Total segment assets	561,426	2,834,013	259,437	703,888	346,580	4,705,344
Total segment liabilities	1,540,720	2,164,781	229,541	-	137,922	4,072,964
Other segment items:						
Capital expenditures					26,466	26,466
Depreciation and amortization					4,800	4,800

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29. SEGMENT ANALYSIS (continued)

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
For the nine months ended 30 September 2015 (unaudited)						
External revenues	421,236	(98,141)	71,727	(43,208)	(95)	351,519
Total revenues	421,236	(98,141)	71,727	(43,208)	(95)	351,519
Total revenues comprise:						
- Interest income	68,754	79,014	18,294	15,526	-	181,588
- Fee and commission income	28,685	3,783	6,340	5	59	38,872
- Net gain/(loss) from financial assets and liabilities at fair value through profit or loss*	323,797	(180,938)	47,093	(58,739)	(23,760)	107,453
- Insurance underwriting income and other income	-	-	-	-	23,606	23,606
Total revenues	421,236	(98,141)	71,727	(43,208)	(95)	351,519
- Interest expense	(27,009)	(38,322)	(1,921)	-	-	(67,252)
- (Impairment charge)/recovery of provisions	(10,404)	12,646	(10,009)	(565)	(209)	(8,541)
- Fee and commission expense	(6,443)	(182)	(138)	(86)	(847)	(7,696)
- Net realized loss from available-for-sale investment securities	-	-	-	(926)	-	(926)
- Net loss/(gain) on foreign exchange operations*	(309,635)	185,395	(44,378)	58,179	22,973	(87,466)
- Operating expenses	(28,106)	(3,689)	(4,914)	(431)	(11,624)	(48,764)
- (Additional provisions recognized)/recoveries of provision	-	(15)	(223)	4	-	(234)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(16,541)	(16,541)
Segment result*	39,639	57,692	10,144	12,967	(6,343)	114,099
Income before income tax expense						114,099
Income tax expense						(22,124)
Net income						91,975
As at 31 December 2015						
Total segment assets	540,639	2,952,768	256,885	382,973	321,673	4,454,938
Total segment liabilities	1,468,313	2,082,308	259,987	-	114,402	3,925,010
Other segment items:						
Capital expenditures					11,559	11,559
Depreciation and amortization					4,627	4,627

*Segment results were recalculated in order to apply unified approach to the allocation of Net gain from financial assets and liabilities at fair value through profit or loss and Net loss on foreign exchange operations.

This approach is consistent with segment results presentation for the nine months ended 30 September 2016.

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29. SEGMENT ANALYSIS (continued)

Geographical information

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

	Kazakhstan	OECD	Non-OECD	Total
30 September 2016 (unaudited)				
Total assets	3,918,032	677,005	110,307	4,705,344
31 December 2015				
Total assets	4,101,191	262,578	91,169	4,454,938
Nine months ended 30 September 2016 (unaudited)				
External revenues	337,404	1,125	7,458	345,987
Capital expenditure	26,466	-	-	26,466
Nine months ended 30 September 2015 (unaudited)				
External revenues	345,167	1,214	5,138	351,519
Capital expenditure	11,559	-	-	11,559

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

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

- 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.

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30. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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30. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 2016 (unaudited)	31 December 2015				
Non-derivative financial assets at fair value through profit or loss (Note 7)	261,703	1,757	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss (Note 7)	836	1,509	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss (Note 7)	150,669	173,804	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Derivative financial liabilities at fair value through profit or loss (Note 7)	727	5,593	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 9)	441,443	378,174	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	155	248	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 9)	106	98	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value

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

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30. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between Level 1 and 2, 2 and 3 during the nine months ended 30 September 2016 and 2015.

	Financial assets at fair value through profit or loss (Level 3)	Available-for- sale investment securities Unquoted equity securities (Level 3)
31 December 2014	7,776	1,924
Gains or losses	112,749	(231)
Redemption/sale	-	(531)
30 September 2015 (unaudited)	120,525	1,162
31 December 2015	173,804	98
Gains or losses	(23,135)	8
30 September 2016 (unaudited)	150,669	106

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

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

Amounts due from and to credit institutions

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

Loans to customers

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

Amounts due to customers

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

Debt securities issued

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

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30. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	30 September 2016 (unaudited) Carrying amount	31 December 2015		
		Fair Value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	32,217	32,022	44,993	45,058
Loans to customers	2,203,326	1,974,288	2,176,069	2,106,902
Financial liabilities				
Amounts due to customers	3,171,519	3,328,250	3,043,731	3,197,750
Amounts due to credit institutions	178,777	205,494	168,258	193,863
Debt securities issued	591,050	596,872	597,525	611,607

	30 September 2016 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	32,022	-	32,022
Loans to customers	-	-	1,974,288	1,974,288
Financial liabilities				
Amounts due to customers	-	3,328,250	-	3,328,250
Amounts due to credit institutions	-	205,494	-	205,494
Debt securities issued	596,872	-	-	596,872

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

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

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. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties.

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

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31. RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2016 (unaudited)		31 December 2015	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for impairment losses	2,514	2,505,764	3,537	2,481,183
- <i>the Parent</i>			8	
- <i>entities with joint control or significant influence over the entity</i>	2,386		3,426	
- <i>key management personnel of the entity or its Parent</i>	96		90	
- <i>other related parties</i>	32		13	
Allowance for impairment losses	(16)	(302,438)	(47)	(305,114)
- <i>the Parent</i>			(1)	
- <i>entities with joint control or significant influence over the entity</i>	(16)		(46)	
Amounts due to customers	204,028	3,171,519	181,164	3,043,731
- <i>the Parent</i>	128,812		116,204	
- <i>entities with joint control or significant influence over the entity</i>	12,341		12,525	
- <i>key management personnel of the entity or its Parent</i>	9,541		9,818	
- <i>other related parties</i>	53,334		42,617	

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

	Nine months ended 30 September 2016 (unaudited)		Nine months ended 30 September 2015 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	253	260,477	350	181,588
- <i>entities with joint control or significant influence over the entity</i>	242		341	
- <i>key management personnel of the entity or its Parent</i>	8		8	
- <i>other related parties</i>	3		1	
Interest expense	(6,262)	(126,686)	(2,711)	(67,252)
- <i>the Parent</i>	(4,971)		(1,362)	
- <i>entities with joint control or significant influence over the entity</i>	(11)		(2)	
- <i>key management personnel of the entity or its Parent</i>	(303)		(174)	
- <i>other related parties</i>	(977)		(1,173)	

JSC HALYK BANK

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31. RELATED PARTY TRANSACTIONS (continued)

	Nine months ended 30 September 2016 (unaudited)		Nine months ended 30 September 2015 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	1,394	30,306	1,293	28,571
- <i>short-term employee benefits</i>	1,394		1,293	

32. EVENTS AFTER THE REPORTING DATE

On 3 November 2016, JSC Halyk Bank and China CITIC Bank Corporation Limited (hereinafter – CITIC-Bank) signed a Memorandum of Understanding (hereinafter – the Memorandum), stipulating a sale of 60% shares in JSC Altyn Bank (SB of JSC Halyk Bank) owned by Halyk Bank to CITIC-Bank.

The implementation of the terms and conditions of the Memorandum is expected during first half of 2017. In order to implement the agreement, the parties to the Memorandum will need, among other things, to obtain necessary approvals of the competent authorities of the People's Republic of China and the Republic of Kazakhstan and fulfil other conditions customary for such type of transaction.

On 9 November 2016, the Bank made a voluntary prepayment of its subordinated local bonds with initial maturity in 2018 and nominal value of KZT 5,000 million.