

# **JSC HALYK BANK**

## **Interim Condensed Consolidated Financial Information**

For the six months ended  
30 June 2014 (unaudited)

# JSC HALYK BANK

## TABLE OF CONTENTS

---

	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)	1
INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED):	
Interim condensed consolidated statement of financial position (unaudited)	3
Interim condensed consolidated statement of profit or loss (unaudited)	4
Interim condensed consolidated statement of comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6-7
Interim condensed consolidated statement of cash flows (unaudited)	8-9
Selected notes to the interim condensed consolidated financial information (unaudited)	10-48

# JSC HALYK BANK

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

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

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

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2014 was authorized for issue by the Management Board on 15 August 2014.

On behalf of the Management Board

Umut B. Shayakmetova  
Chairperson of the Board

15 August 2014  
Almaty, Kazakhstan



Pavel A. Chaussov  
Chief Accountant

15 August 2014  
Almaty, Kazakhstan



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

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

### Introduction

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

### Scope of review

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

### Conclusion

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

DELOITTE, LP

15 August 2014  
Almaty, Kazakhstan

# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014 (UNAUDITED) (Millions of Kazakhstan Tenge)

	Notes	30 June 2014 (unaudited)	31 December 2013
<b>ASSETS</b>			
Cash and cash equivalents	5	697,208	486,313
Obligatory reserves	6	53,774	44,276
Financial assets at fair value through profit or loss	7	1,394	1,334
Amounts due from credit institutions	8	45,172	25,808
Available-for-sale investment securities	9	368,279	350,552
Precious metals		1,559	16,857
Loans to customers	10, 31	1,525,013	1,482,245
Property and equipment		63,705	63,614
Assets held-for-sale		3,649	2,912
Goodwill		3,085	3,085
Intangible assets		5,237	5,617
Insurance assets	11	23,823	13,379
Other assets	12	18,680	10,422
<b>TOTAL ASSETS</b>		<b>2,810,578</b>	<b>2,506,414</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Amounts due to customers	13, 31	2,040,206	1,766,648
Amounts due to credit institutions	14	45,944	107,395
Financial liabilities at fair value through profit or loss	7	150	69
Debt securities issued	15	221,362	189,515
Provisions	16	14	4,163
Deferred tax liability	17	7,738	4,520
Insurance liabilities	11	42,960	29,715
Other liabilities	18	14,431	12,210
<b>Total liabilities</b>		<b>2,372,805</b>	<b>2,114,235</b>
<b>EQUITY</b>			
Share capital	19	143,695	143,695
Share premium reserve		1,444	1,415
Treasury shares		(78,995)	(77,534)
Retained earnings and other reserves		370,715	323,670
		436,859	391,246
Non-controlling interest		914	933
<b>Total equity</b>		<b>437,773</b>	<b>392,179</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,810,578</b>	<b>2,506,414</b>

On behalf of the Management Board:

Umut B. Shaqakmetova  
Chairperson of the Board

15 August 2014  
Almaty, Kazakhstan

Pavel A. Chussov  
Chief Accountant

15 August 2014  
Almaty, Kazakhstan

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

# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

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

	Notes	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Interest income	21, 31	52,472	44,368	103,588	87,430
Interest expense	21, 31	(19,736)	(18,763)	(38,782)	(38,327)
<b>NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE</b>	21	<b>32,736</b>	<b>25,605</b>	<b>64,806</b>	<b>49,103</b>
Impairment charge	16	(852)	(4,274)	(1,360)	(6,537)
<b>NET INTEREST INCOME</b>		<b>31,884</b>	<b>21,331</b>	<b>63,446</b>	<b>42,566</b>
Fee and commission income	22	11,859	9,503	33,865	21,943
Fee and commission expense		(2,178)	(1,709)	(4,136)	(3,228)
Fees and commissions, net		9,681	7,794	29,729	18,715
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	23	(478)	222	(66)	1,118
Net realized gain/(loss) from available-for- sale investment securities		420	(109)	59	68
Net gain on foreign exchange operations	24	2,765	1,473	5,901	2,645
Insurance underwriting income	25	4,548	5,729	7,831	12,808
Other income		1,292	397	2,132	789
<b>OTHER NON-INTEREST INCOME</b>		<b>8,547</b>	<b>7,712</b>	<b>15,857</b>	<b>17,428</b>
Operating expenses	26	(14,597)	(13,946)	(28,323)	(27,048)
Recoveries of provision/(provision)	16	22	(627)	4,072	(185)
Insurance claims incurred, net of reinsurance	25	(3,458)	(4,210)	(6,132)	(10,088)
<b>NON-INTEREST EXPENSES</b>		<b>(18,033)</b>	<b>(18,783)</b>	<b>(30,383)</b>	<b>(37,321)</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>32,079</b>	<b>18,054</b>	<b>78,649</b>	<b>41,388</b>
Income tax expense	17	(5,960)	(3,147)	(14,613)	(7,214)
<b>NET INCOME</b>		<b>26,119</b>	<b>14,907</b>	<b>64,036</b>	<b>34,174</b>
Attributable to:					
Non-controlling interest		(20)	(65)	384	40
Preferred shareholders		447	265	1,108	558
Common shareholders		25,692	14,707	62,544	33,576
		<b>26,119</b>	<b>14,907</b>	<b>64,036</b>	<b>34,174</b>
Basic earnings per share (in Kazakhstani Tenge)	27	2.23	1.17	5.67	2.93
Diluted earnings per share (in Kazakhstani Tenge)	27	1.37	0.29	4.78	2.04

On behalf of the Management Board:

Umut B. Shayakhmetova  
Chairperson of the Board

15 August 2014  
Almaty, Kazakhstan

Pavel A. Denisov  
Chief Accountant

15 August 2014  
Almaty, Kazakhstan

The notes on pages 10 to 41 form an integral part of this interim condensed consolidated financial information.

# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(Millions of Kazakhstan Tenge)

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Net income	26,119	14,907	64,036	34,174
Other comprehensive income/(loss), net of tax				
<i>Items that will not to be reclassified subsequently to profit or loss:</i>				
(Loss)/gain on revaluation of property and equipment, net of tax	-	(6)	97	(54)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Gain/(loss) on revaluation of available-for-sale investment securities (net of tax – Nil tenge)	4,902	(5,388)	1,922	(7,852)
Reclassification adjustment relating to available- for-sale investment securities disposed of in the period (net of tax – Nil tenge)	(420)	109	(59)	(68)
Exchange differences on translation of foreign operations (net of tax – Nil tenge)	421	(332)	1,735	(449)
Other comprehensive income /(loss) for the period, net of tax	4,903	(5,617)	3,695	(8,423)
Total comprehensive income for the period	31,022	9,290	67,731	25,751
Attributable to:				
Non-controlling interest	(21)	(56)	382	49
Preferred shareholders	529	165	1,173	420
Common shareholders	30,514	9,181	66,176	25,282
	31,022	9,290	67,731	25,751

On behalf of the Management Board

Umud B. Shayakimetoyn  
Chairperson of the Board

15 August 2014  
Almaty, Kazakhstan



Pavel A. Chussov  
Chief Accountant

15 August 2014  
Almaty, Kazakhstan



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

# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(Millions of Kazakhstan Tenge)

	Share capital				Treasury shares			Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
	Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*						
31 December 2013	83,571	46,891	13,233	1,415	(39,974)	(37,560)	602	1,790	13,808	307,470	391,246	933	392,179
Net income	-	-	-	-	-	-	-	-	-	63,652	63,652	384	64,036
Other comprehensive income/(loss)	-	-	-	-	-	-	1,735	1,865	97	-	3,697	(2)	3,695
Total comprehensive income	-	-	-	-	-	-	1,735	1,865	97	63,652	67,349	382	67,731
Treasury shares purchased	-	-	-	(90)	(3)	(1,461)	-	-	-	-	(1,554)	-	(1,554)
Treasury shares sold**	-	-	-	119	3	-	-	-	-	-	122	-	122
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(1,757)	(1,757)	-	(1,757)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(18,547)	(18,547)	-	(18,547)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(401)	(401)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(155)	155	-	-	-
30 June 2014 (unaudited)	83,571	46,891	13,233	1,444	(39,974)	(39,021)	2,337	3,655	13,750	350,973	436,859	914	437,773



# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(Millions of Kazakhstan Tenge)

	Share capital			Share premium reserve	Treasury shares		Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
	Common shares	Non-convertible preferred shares	Convertible preferred shares		common shares	preferred shares							
31 December 2012	83,571	46,891	13,233	1,496	(39,974)	(41,054)	1,122	8,926	14,754	249,033	337,998	1,641	339,639
Net income	-	-	-	-	-	-	-	-	-	34,134	34,134	40	34,174
Other comprehensive (loss)/income	-	-	-	-	-	-	(449)	(7,929)	(54)	-	(8,432)	9	(8,423)
Total comprehensive (loss)/income	-	-	-	-	-	-	(449)	(7,929)	(54)	34,134	25,702	49	25,751
Treasury shares purchased	-	-	-	(120)	(4)	-	-	-	-	-	(124)	-	(124)
Treasury shares sold**	-	-	-	45	1	3,494	-	-	-	-	3,540	-	3,540
Dividends - preferred shares	-	-	-	-	-	-	-	-	-	(2,197)	(2,197)	-	(2,197)
Dividends - common shares	-	-	-	-	-	-	-	-	-	(12,215)	(12,215)	-	(12,215)
Release of property and equipment revaluation reserve on disposal of previously revalued assets	-	-	-	-	-	-	-	-	(204)	204	-	-	-
30 June 2013 (unaudited)	83,571	46,891	13,233	1,421	(39,977)	(37,560)	673	997	14,496	268,959	352,704	1,690	354,394

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

\*\* Sale of treasury shares is disclosed on page 19

On behalf of the Management Board

Umud B. Shayakhmetov  
Chairperson of the Board

15 August 2014  
Almaty, Kazakhstan

Pavel A. Chelussov  
Chief Accountant

15 August 2014  
Almaty, Kazakhstan

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

# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(Millions of Kazakhstan Tenge)

	Notes	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received from cash equivalents and amounts due from credit institutions		2,619	1,541
Interest received from financial assets at fair value through profit or loss		32	16
Interest received on available-for-sale investment securities		10,273	8,026
Interest received on investments held-to-maturity		-	1,285
Interest received from loans to customers		82,324	63,213
Interest paid on due to customers		(32,954)	(28,187)
Interest paid on due to credit institutions		(774)	(300)
Interest paid on debt securities issued		(7,574)	(11,898)
Fee and commission received		35,236	23,607
Fee and commission paid		(4,136)	(3,228)
Insurance underwriting income received		4,142	25,347
Ceded insurance share paid		(4,582)	(7,361)
Other income received		1,684	4,120
Operating expenses paid		(22,697)	(23,310)
Insurance reimbursements paid		(6,889)	(5,597)
Reimbursement of losses due to reinsurance risks received		-	304
Cash flows from operating activities before changes in net operating assets		56,704	47,578
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(9,498)	2,049
Financial assets at fair value through profit or loss		(123)	132
Amounts due from credit institutions		(17,983)	1,630
Precious metals		16,176	(18,753)
Loans to customers		84,331	(6,401)
Assets held-for-sale		(737)	
Insurance assets		(5,105)	(4,927)
Other assets		(6,726)	4,512
Increase/(decrease) in operating liabilities:			
Amounts due to customers		111,323	123,737
Amounts due to credit institutions		(66,398)	(416)
Financial liabilities at fair value through profit or loss		79	(196)
Insurance liabilities		16,934	1,272
Other liabilities		(2,053)	1,084
Net cash inflow from operating activities before income tax		176,924	151,301
Income tax paid		(14,544)	(8,146)
Net cash inflow from operating activities		162,380	143,155
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds on sale of available-for-sale investment securities		90,580	75,826
Purchase of available-for-sale investment securities		(71,389)	(80,843)
Purchase and prepayment for property and equipment and intangible assets		(2,069)	(2,544)
Proceeds on sale of property and equipment		248	509
Proceeds from redemption of investments held-to-maturity		-	2,424
Purchase of investments held-to-maturity		-	(781)
Net cash inflow/(outflow) from investing activities		17,370	(5,409)

# JSC HALYK BANK

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds on sale of treasury shares		122	3,540
Purchase of treasury shares		(1,554)	(124)
Dividends paid – preferred shares		(1,757)	(2,197)
Dividends paid – common shares		(18,547)	(12,215)
Dividends paid – non-controlling interest		(401)	-
Redemption and repayment of debt securities issued		-	(40,765)
		<u>                    </u>	<u>                    </u>
Net cash outflow from financing activities		(22,137)	(51,761)
		<u>                    </u>	<u>                    </u>
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		53,282	650
		<u>                    </u>	<u>                    </u>
Net change in cash and cash equivalents		210,895	86,635
CASH AND CASH EQUIVALENTS, beginning of the period	5	486,313	534,069
		<u>                    </u>	<u>                    </u>
CASH AND CASH EQUIVALENTS, end of the period	5	697,208	620,704
		<u>                    </u>	<u>                    </u>

On behalf of the Management Board

Umud B. Shayakhmetova  
Chairperson of the Board

15 August 2014  
Almaty, Kazakhstan



Pavel A. Zhelesov  
Chief Accountant

15 August 2014  
Almaty, Kazakhstan



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

# JSC HALYK BANK

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

---

### 1. PRINCIPAL ACTIVITIES

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

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

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

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

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

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

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

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

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

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

	Total shares	Stake in total shares in circulation	30 June 2014 (unaudited)			
			Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	11.0%
JSC Single Accumulated Pension Fund*	868,889,272	7.8%	709,384,310	6.5%	159,504,962	84.3%
GDR	1,853,663,320	16.7%	1,853,663,320	17.0%	-	-
Other	352,535,887	3.2%	343,546,103	3.1%	8,989,784	4.7%
<b>Total shares in circulation (on consolidated basis)</b>	<b>11,099,237,547</b>	<b>100%</b>	<b>10,909,975,233</b>	<b>100%</b>	<b>189,262,314</b>	<b>100%</b>
	Total shares	Stake in total shares in circulation	31 December 2013			
			Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan **	758,082,743	6.8%	661,367,710	6.1%	96,715,033	49.5%
GDR	2,093,909,040	18.9%	2,093,909,040	19.2%	-	-
Other	228,090,752	2.0%	150,042,269	1.3%	78,048,483	39.9%
<b>Total shares in circulation (on consolidated basis)</b>	<b>11,104,231,603</b>	<b>100%</b>	<b>10,908,700,519</b>	<b>100%</b>	<b>195,531,084</b>	<b>100%</b>

\* The transfer of all pension assets under management of the private accumulative pension funds to the JSC Single Accumulated Pension Fund (hereinafter – SAPF) was conducted in accordance with the schedule and order approved by the act of the authorized body. As a result, as at 30 June 2014 SAPF held 7.8% of the Bank’s shares outstanding on behalf of its clients.

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

As at 30 June 2014, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 397 cash settlement units (as at 31 December 2013 – 22, 122, 400 respectively) located throughout Kazakhstan. The address of the Bank’s registered office is: 109 V Abai Avenue, Almaty, 050008, Republic of Kazakhstan.

As at 30 June 2014, the number of the Group’s full-time equivalent employees was 10,759 (31 December 2013 – 11,198).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2014 was authorized for issue by the Management Board on 15 August 2014.

## 2. BASIS OF PRESENTATION

### Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2013 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for the year ended 31 December 2013 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2013 prepared in accordance with IFRS. In the opinion of management, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

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

### Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

In preparing this interim condensed consolidated financial information the Group 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 2013. There were no changes in accounting policies during the six months ended 30 June 2014, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

#### **New standards, interpretations and amendments adopted by the Group**

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

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

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

#### ***IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (Amendment)***

These amendments have no impact on the Group.

#### ***IAS 39 "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting" (Amendment)***

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

#### ***IAS 36 "Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets" (Amendment)***

These amendments have no impact on the Group.

### **4. SIGNIFICANT ACCOUNTING ESTIMATES**

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

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Cash on hand	65,565	80,752
<b>Recorded as loans and receivables in accordance with IAS 39:</b>		
Correspondent accounts with Organization for Economic Co-operation and Development countries (“OECD”) based banks	41,899	91,265
Overnight deposits with OECD based banks	88,090	59,122
Short-term deposits with OECD based banks	254,981	135,253
Correspondent accounts with the National Bank of Republic of Kazakhstan (“NBK”)	134,605	83,769
Short-term deposits with the NBK	30,002	-
Short-term deposits with Kazakhstan banks (loans under reverse repurchase agreements)	65,745	32,326
Correspondent accounts with non-OECD based banks	4,420	2,159
Overnight deposits with non-OECD based banks	125	24
Short-term deposits with non-OECD based banks	11,776	1,643
	<u>697,208</u>	<u>486,313</u>

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

	<b>30 June 2014 (unaudited)</b>		<b>31 December 2013</b>	
	<b>KZT</b>	<b>Foreign currencies</b>	<b>KZT</b>	<b>Foreign currencies</b>
Overnight deposits with OECD based banks	-	0.3%-0.4%	-	0.02%-0.1%
Short-term deposits with OECD based banks	4.4%-6.3%	0.1%-0.2%	6.9%	0.1%-0.2%
Short-term deposits with NBK	2.8%	-	-	-
Short-term deposits with Kazakhstan banks	3.5%-4.8%	-	2.0%-6.0%	-
Overnight deposits with non-OECD based banks	-	2.5%	-	2.3%
Short-term deposits with non-OECD based bank	-	2.0%-3.3%	-	1.0%-4.5%

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

	<b>30 June 2014 (unaudited)</b>		<b>31 December 2013</b>	
	<b>Carrying value of deposits</b>	<b>Fair value of collateral</b>	<b>Carrying value of deposits</b>	<b>Fair value of collateral</b>
Treasury bills of the Ministry of Finance of Kazakhstan and NBK notes	64,866	69,734	32,279	48,936
Equity securities of Kazakhstan banks	879	1,215	47	47
	<u>65,745</u>	<u>70,949</u>	<u>32,326</u>	<u>48,983</u>

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



## 6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Recorded as loans and receivables in accordance with IAS 39:</b>		
Cash and due from the banks allocated to obligatory reserves	53,774	44,276
	<u>53,774</u>	<u>44,276</u>

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of Kazakhstan, Kyrgyzstan, Georgia and Central Bank of Russian Federation and used for calculation of the minimum reserve requirements. As at 30 June 2014, obligatory reserves of OJSC Halyk Bank Kyrgyzstan, OJSC NBK Bank and JSC Halyk Bank Georgia comprised KZT 877 million (31 December 2013 – KZT 383 million).

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

Financial assets at fair value through profit or loss comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Financial assets held for trading:</b>		
Corporate bonds	727	402
Derivative financial instruments	177	391
Bonds of JSC Development Bank of Kazakhstan	162	139
Bonds of Kazakhstan banks	146	119
Bonds of foreign organizations	71	184
Equity securities of Kazakhstan banks	52	61
Equity securities of Kazakhstan corporations	34	20
Equity securities of foreign corporations	25	18
	<u>1,394</u>	<u>1,334</u>

Financial liabilities at fair value through profit or loss comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Financial liabilities held for trading:</b>		
Derivative financial instruments	150	69

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

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

Derivative financial instruments comprise:

	30 June 2014 (unaudited)			31 December 2013		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
<b>Foreign currency contracts:</b>						
Swaps	38,468	174	149	53,401	122	69
Forwards	7,542	3	1	15,116	18	-
Options	-	-	-	3,961	251	-
		<u>177</u>	<u>150</u>		<u>391</u>	<u>69</u>

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

## 8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	30 June 2014 (unaudited)	31 December 2013
<b>Recorded as loans and receivables in accordance with IAS 39:</b>		
Term deposits	25,749	8,593
Loans to credit institutions	16,674	14,322
Deposit pledged as collateral for derivative financial instruments	2,749	2,898
	<u>45,172</u>	<u>25,813</u>
Less - Allowance for loan impairment (Note 16)	-	(5)
	<u>45,172</u>	<u>25,808</u>

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

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

## 9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Treasury bills of the Ministry of Finance of Kazakhstan	116,507	98,932
Corporate bonds	108,490	91,971
Securities of foreign organizations	76,545	87,562
Bonds of JSC Development Bank of Kazakhstan	21,021	19,363
Treasury bills of the Russian Federation	18,903	28,909
Bonds of Kazakhstan banks	13,253	13,958
Equity securities of Kazakhstan corporations	4,693	3,075
Local municipal bonds	3,934	4,019
Equity securities of foreign corporations	1,665	1,683
Treasury bills of USA	1,651	-
Treasury bills of Georgia	1,408	562
Treasury bills of Kyrgyz Republic	209	340
Equity securities of Kazakhstan banks	-	156
Mutual investment fund shares	-	22
	<u>368,279</u>	<u>350,552</u>

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.

As at 30 June 2014 and 31 December 2013, investments available-for-sale included Treasury bills of the Ministry of Finance of Kazakhstan and NBK Notes in the amount of KZT 440 million and KZT 73,110 million, respectively, were pledged under repurchase agreements with other banks (see Note 14).

	<b>30 June 2014 (unaudited)</b>		<b>31 December 2013</b>	
	<b>Interest rate</b>	<b>Maturity, year</b>	<b>Interest Rate</b>	<b>Maturity, year</b>
Treasury bills of the Ministry of Finance of Kazakhstan	5.3%	2014-2027	4.9%	2014-2027
Corporate bonds	6.6%	2014-2023	7.0%	2014-2021
Securities of foreign organizations	3.9%	2014-2021	3.9%	2014-2021
Bonds of JSC Development Bank of Kazakhstan	4.9%	2015-2026	4.9%	2015-2026
Treasury bills of the Russian Federation	2.1%	2018	2.7%	2015-2018
Bonds of Kazakhstan banks	10.0%	2014-2023	9.3%	2014-2030
Local municipal bonds	4.9%	2015	4.9%	2015
Treasury bills of USA	2.3%	2016	-	-
Treasury bills of Georgia	11.9%	2016-2024	12.8%	2016-2017
Treasury bills of Kyrgyz Republic	9.5%	2014	8.9%	2014

## 10. LOANS TO CUSTOMERS

Loans to customers comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Recorded as loans and receivables in accordance with IAS 39:</b>		
Originated loans to customers	1,818,915	1,803,471
Overdrafts	704	2,085
	<u>1,819,619</u>	<u>1,805,556</u>
Less – Allowance for loan impairment (Note 16)	<u>(294,606)</u>	<u>(323,311)</u>
	<u><u>1,525,013</u></u>	<u><u>1,482,245</u></u>

Weighted average interest rate on loans to customers is calculated as interest income divided by monthly average balances of loans to customers. As at 30 June 2014, average interest rate on loans was 12.2% (as at 31 December 2013 – 11.7%)

As at 30 June 2014, the Group's loan concentration to the ten largest borrowers was KZT 399,616 million, which comprised 22% of the Group's total gross loan portfolio (as at 31 December 2013 – KZT 367,782 million; 20%) and 91% of the Group's total equity (as at 31 December 2013 – 94%).

As at 30 June 2014, an allowance for loan impairment amounting to KZT 49,448 million was attributable to these loans (as at 31 December 2013 – KZT 51,189 million).

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

	<b>30 June 2014 (unaudited)</b>	<b>Share</b>	<b>31 December 2013</b>	<b>Share</b>
Retail loans:				
- consumer loans	305,582	17%	291,471	16%
- mortgage loans	116,236	6%	107,062	6%
	<u>421,818</u>		<u>398,533</u>	
Wholesale trade	326,642	18%	341,489	19%
Services	236,559	13%	233,492	13%
Construction	151,816	9%	163,615	9%
Real estate	138,438	8%	137,200	8%
Financial services	111,763	6%	94,702	5%
Retail trade	110,779	6%	117,816	7%
Agriculture	104,272	6%	84,934	5%
Mining	41,814	2%	38,050	2%
Transportation	40,744	2%	40,145	2%
Hotel industry	31,530	2%	31,549	2%
Food industry	30,647	2%	33,929	2%
Metallurgy	23,537	1%	39,276	2%
Chemical industry	11,804	1%	10,604	1%
Machinery	5,907	0%	7,878	0%
Light industry	4,250	0%	4,503	0%
Energy	2,634	0%	3,403	0%
Oil and gas	2,580	0%	6,005	0%
Communication	1,230	0%	339	0%
Other	20,855	1%	18,094	1%
	<u><u>1,819,619</u></u>	<u><u>100%</u></u>	<u><u>1,805,556</u></u>	<u><u>100%</u></u>

As at 30 June 2014 the amount of accrued interest on loans comprised KZT 123,039 million (as at 31 December 2013 – KZT 114,178 million).

## 11. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Reinsurance premium unearned	12,006	7,424
Reinsurance amounts recoverable	2,565	3,184
	<u>14,571</u>	<u>10,608</u>
Premiums receivable	9,252	2,771
Insurance assets	<u><u>23,823</u></u>	<u><u>13,379</u></u>

Insurance liabilities comprised the following:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Gross unearned insurance premium reserve	17,954	10,796
Reserves for insurance claims	16,966	16,209
	<u>34,920</u>	<u>27,005</u>
Payables to reinsurers and agents	8,040	2,710
Insurance liabilities	<u><u>42,960</u></u>	<u><u>29,715</u></u>

## 12. OTHER ASSETS

Other assets comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Other financial assets recorded as loans and receivables in accordance with IAS 39:</b>		
Debtors on banking activities	7,998	6,293
Debtors on non-banking activities	4,266	891
Accrued other commission income	591	758
Accrued commission for managing pension assets	-	1,204
Other	32	9
	<u>12,887</u>	<u>9,155</u>
Less – Allowance for impairment (Note 16)	<u>(4,825)</u>	<u>(5,176)</u>
	8,062	3,979
<b>Other non financial assets:</b>		
Corporate income tax prepaid	3,734	1,344
Investment property	1,765	907
Advances for taxes other than income tax	1,302	623
Inventory	1,249	1,367
Prepayments for property and equipment	1,174	1,009
Deferred tax asset (Note 17)	600	301
Investments in associates	24	24
Other	770	868
	<u>10,618</u>	<u>6,433</u>
	<u><u>18,680</u></u>	<u><u>10,422</u></u>

As at 30 June 2014, the Bank held a deposit with HSBC Bank plc. in the amount of USD 16 million as a prepayment to HSBC Bank plc. for acquisition of 100% shares of SB JSC HSBC Bank Kazakhstan, a wholly owned subsidiary of HSBC Bank plc. As at 30 June 2014, such prepayment was accounted in “debtors on non-banking activities” item of other financial assets. The Transaction, which is subject to regulatory approvals and other conditions, is expected to be completed during 2014.

### 13. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Recorded at amortized cost:</b>		
<b>Term deposits:</b>		
Individuals	770,435	644,732
Legal entities	506,955	557,059
	<u>1,277,390</u>	<u>1,201,791</u>
<b>Current accounts:</b>		
Legal entities	580,488	399,153
Individuals	182,328	165,704
	<u>762,816</u>	<u>564,857</u>
	<u><u>2,040,206</u></u>	<u><u>1,766,648</u></u>

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

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

An analysis of customer accounts by sector is as follows:

	<b>30 June 2014 (unaudited)</b>	<b>Share</b>	<b>31 December 2013</b>	<b>Share</b>
Individuals and entrepreneurs	952,763	47%	810,436	46%
Oil and gas	370,510	18%	306,889	17%
Other consumer services	118,051	7%	148,380	8%
Wholesale trade	99,323	5%	83,703	5%
Transportation	95,446	5%	80,322	5%
Financial sector	71,017	3%	52,624	3%
Construction	69,860	3%	69,094	4%
Government	47,823	2%	36,686	2%
Insurance and pension funds activity	33,554	2%	31,176	2%
Education	26,547	1%	17,332	1%
Metallurgy	26,535	1%	13,949	1%
Healthcare and social services	20,444	1%	7,771	0%
Energy	19,265	1%	9,751	0%
Communication	7,231	0%	11,376	1%
Other	81,837	4%	87,159	5%
	<u><u>2,040,206</u></u>	<u><u>100%</u></u>	<u><u>1,766,648</u></u>	<u><u>100%</u></u>

## 14. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	30 June 2014 (unaudited)	31 December 2013
<b>Recorded at amortized cost:</b>		
Loans from JSC Entrepreneurship Development Fund DAMU	21,177	-
Loans and deposits from Kazakhstan banks	13,855	81,786
Loans and deposits from OECD based banks	4,268	3,831
Correspondent accounts	3,416	2,628
Loans and deposits from non-OECD based banks	2,040	8,623
Loans from the other financial institutions	1,188	1,916
Overnight deposits	-	8,611
	45,944	107,395

As at 30 June 2014, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included a long-term loan in the amount of KZT 20,000 million at 2.0% interest rate maturing in 2034 with an early recall option. The loan was received in accordance with the Government program (“the Program”) to finance small and medium enterprises (“SME”) operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6% interest rate. The Management of the Group believes that there are no other similar financial instruments and due to its specific nature, the loan from DAMU represents a separate segment in SME lending. As a result, the loan from DAMU was received in an orderly transaction and as such has been recorded at fair value at the recognition date.

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

	30 June 2014 (unaudited)		31 December 2013	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Loans from JSC Entrepreneurship Development Fund DAMU	2.0%-6.0%	2014-2034	-	-
Loans and deposits from Kazakhstan banks	3.6%-7.9%	2014-2019	0.5%-5.0%	2014
Loans and deposits from OECD based banks	0.9%-7.9%	2016-2023	1.0%-6.5%	2016-2023
Loans and deposits from non-OECD based banks	0.7%-7.0%	2014-2017	0.6%-4.5%	2014
Loans from other financial institutions	4.3%-5.9%	2014-2018	2.6%-6.0%	2014-2018
Overnight deposits	-	-	0.5%-3.5%	2014

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

	30 June 2014 (unaudited)		31 December 2013	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Treasury bills of the Ministry of Finance of Kazakhstan and NBK Notes	440	425	73,110	67,804
	440	425	73,110	67,804

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

	<b>Investments available-for- sale (Note 9)</b>
<b>As at 30 June 2014 (unaudited):</b>	
Carrying amount of transferred assets	440
Carrying amount of associated liabilities	425
<b>As at 31 December 2013:</b>	
Carrying amount of transferred assets	73,110
Carrying amount of associated liabilities	67,804

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

The Group's management believes that as at 30 June 2014 and 31 December 2013, the Group was in compliance with the covenants of the agreements the Group has with the trustees and holders of the notes.

## 15. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Recorded at amortized cost:</b>		
<b>Subordinated debt securities issued:</b>		
Fixed rate KZT denominated bonds	11,792	11,755
Reverse inflation indexed KZT denominated bonds	8,478	8,489
Inflation indexed KZT denominated bonds	3,932	3,941
	<hr/>	<hr/>
Total subordinated debt securities outstanding	24,202	24,185
	<hr/>	<hr/>
<b>Unsubordinated debt securities issued:</b>		
USD denominated bonds	197,160	165,330
	<hr/>	<hr/>
Total unsubordinated debt securities outstanding	197,160	165,330
	<hr/>	<hr/>
Total debt securities outstanding	<u>221,362</u>	<u>189,515</u>



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

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

As at 30 June 2014 the amount of accrued interest on debt securities issued KZT 3,958 million (as at 31 December 2013 – KZT 3,321 million).

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

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

## 16. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

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

	Loans to customers	Amounts due from credit institutions	Available-for- sale investment securities	Other assets	Total
<b>31 March 2014 (unaudited)</b>	(350,448)	-	(1,541)	(4,777)	(356,766)
(Additional provisions recognized)/recovery of provisions	(801)	-	45	(96)	(852)
Write-offs	57,786	-	-	83	57,869
Foreign exchange differences	(1,143)	-	-	(35)	(1,178)
<b>30 June 2014(unaudited)</b>	<u>(294,606)</u>	<u>-</u>	<u>(1,496)</u>	<u>(4,825)</u>	<u>(300,927)</u>
<b>31 March 2013 (unaudited)</b>	(304,682)	(2)	(999)	(2,660)	(308,343)
Additional provisions recognized	(3,638)	(1)	-	(635)	(4,274)
Write-offs	1,806	-	-	6	1,812
Foreign exchange differences	(579)	-	-	(11)	(590)
<b>30 June 2013 (unaudited)</b>	<u>(307,093)</u>	<u>(3)</u>	<u>(999)</u>	<u>(3,300)</u>	<u>(311,395)</u>
<b>31 December 2013 (unaudited)</b>	(323,311)	(5)	(1,040)	(5,176)	(329,532)
(Additional provisions recognized)/recovery of provisions	(1,254)	-	(454)	348	(1,360)
Write-offs	57,938	-	-	85	58,023
Foreign exchange differences	(27,979)	5	(2)	(82)	(28,058)
<b>30 June 2014 (unaudited)</b>	<u>(294,606)</u>	<u>-</u>	<u>(1,496)</u>	<u>(4,825)</u>	<u>(300,927)</u>
<b>31 December 2012 (unaudited)</b>	(302,926)	(2)	(999)	(2,389)	(306,316)
Additional provisions recognized	(5,547)	(1)	-	(989)	(6,537)
Write-offs	1,948	-	-	83	2,031
Foreign exchange differences	(568)	-	-	(5)	(573)
<b>30 June 2013 (unaudited)</b>	<u>(307,093)</u>	<u>(3)</u>	<u>(999)</u>	<u>(3,300)</u>	<u>(311,395)</u>

During the three months ended 30 June 2014, the Group has written off loans, fully or partially, in the amount of KZT 57,786 million. This write-off was made following the changes introduced to the Tax Code of Kazakhstan, which provided certain income tax relief for loans write-off, and was made in accordance with Management's plans to reduce the level of non-performing loans in the loan portfolio.

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

	<b>Three months ended 30 June 2014 (unaudited)</b>	<b>Three months ended 30 June 2013 (unaudited)</b>	<b>Six months ended 30 June 2014 (unaudited)</b>	<b>Six months ended 30 June 2013 (unaudited)</b>
At the beginning of the period	(119)	(3,915)	(4,163)	(4,385)
Additional provisions recognized	(6)	(1,597)	(46)	(3,779)
Recovery of provisions	28	970	4,118	3,594
Write off	84	-	84	-
Foreign exchange differences	(1)	3	(7)	31
	<u>(14)</u>	<u>3</u>	<u>(7)</u>	<u>31</u>
At the end of the period	<u>(14)</u>	<u>(4,539)</u>	<u>(14)</u>	<u>(4,539)</u>

## 17. INCOME TAXES

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

The income tax expense comprises:

	<b>Three months ended 30 June 2014 (unaudited)</b>	<b>Three months ended 30 June 2013 (unaudited)</b>	<b>Six months ended 30 June 2014 (unaudited)</b>	<b>Six months ended 30 June 2013 (unaudited)</b>
Current income tax expense	2,370	3,671	11,674	6,267
Adjustments recognized in the current period for deferred tax of prior periods	2,788	-	2,788	-
Deferred tax expense/(benefit)	802	(524)	151	947
	<u>5,960</u>	<u>3,147</u>	<u>14,613</u>	<u>7,214</u>
Income tax expense	<u>5,960</u>	<u>3,147</u>	<u>14,613</u>	<u>7,214</u>

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

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

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

Deferred tax assets and liabilities comprise:

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
<b>Deferred tax assets/(liabilities) in relation to:</b>		
Bonuses accrued	1,075	1,122
Vacation pay accrual	277	241
Insurance premium reserves	160	-
Interest accrued, but not paid	-	2,788
Other	49	94
	<u>1,561</u>	<u>4,245</u>
Deferred tax asset		
Dynamic provisions and allowance for impairment losses on loans to customers	(3,320)	(3,115)
Property and equipment, accrued depreciation	(4,560)	(4,681)
Fair value of derivatives and investments available for sale	(433)	(393)
Reserve on revaluation of financial instruments	(58)	-
Other	(328)	(275)
	<u>(8,699)</u>	<u>(8,464)</u>
Deferred tax liability		
Net deferred tax liability	<u>(7,138)</u>	<u>(4,219)</u>

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

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Deferred tax asset (Note 12)	600	301
Deferred tax liability	(7,738)	(4,520)
	<u>(7,138)</u>	<u>(4,219)</u>
Net deferred tax liability		
	<b>2014</b>	<b>2013</b>
Net deferred tax liability 1 January	4,219	6,816
Deferred tax expense	131	947
Adjustments recognized in the current period for deferred tax of prior periods	2,788	-
	<u>7,138</u>	<u>7,763</u>
Net deferred tax liability 30 June (unaudited)		

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

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

## 18. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2014 (unaudited)	31 December 2013
<b>Other financial liabilities:</b>		
Salary payable	6,532	6,274
Payable for general and administrative expenses	1,491	608
Creditors on non-banking activities	326	696
Creditors on bank activities	251	602
Other	126	68
	<u>8,726</u>	<u>8,248</u>
<b>Other non financial liabilities:</b>		
Taxes payable other than income tax	1,498	1,361
Current income tax payable	3,356	2,257
Other prepayments received	851	344
	<u>5,705</u>	<u>3,962</u>
	<u>14,431</u>	<u>12,210</u>

## 19. EQUITY

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

30 June 2014 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000	(12,871,481,549)	11,128,518,451	(218,543,218)	10,909,975,233
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(200,558,516)	109,300,914
Convertible preferred shares	80,225,222	-	80,225,222	(263,822)	79,961,400
<b>30 June 2013 (unaudited)</b>					
	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000	(12,871,481,549)	11,128,518,451	(222,934,302)	10,905,584,149
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(193,746,831)	116,112,599
Convertible preferred shares	80,225,222	-	80,225,222	(221,057)	80,004,165

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

	Common	Number of shares		Nominal (placement) amount		
		Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
<b>31 December 2013</b>	10,908,700,519	115,533,834	79,997,250	43,597	9,273	13,291
Purchase of treasury shares	(2,145,970)	(6,232,920)	(35,850)	(3)	(1,461)	-
Sale of treasury shares	3,420,684	-	-	3	-	-
<b>30 June 2014 (unaudited)</b>	<u>10,909,975,233</u>	<u>109,300,914</u>	<u>79,961,400</u>	<u>43,597</u>	<u>7,812</u>	<u>13,291</u>
<b>31 December 2012</b>	10,907,961,655	95,712,499	79,724,654	43,597	5,837	13,233
Purchase of treasury shares	(3,961,243)	-	(94,252)	(4)	-	-
Sale of treasury shares	1,583,737	20,400,100	373,763	1	3,436	58
<b>30 June 2013 (unaudited)</b>	<u>10,905,584,149</u>	<u>116,112,599</u>	<u>80,004,165</u>	<u>43,594</u>	<u>9,273</u>	<u>13,291</u>

## **Common shares**

As at 30 June 2014, the Group held 218,543,218 of the Group's common shares as treasury shares at KZT 39,974 million (30 June 2013 – 222,934,302 shares at KZT 39,977 million).

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

## **Preferred shares**

In accordance with IAS 32 “Financial Instruments: Presentation”, both the non-convertible and convertible preferred shares (together, “the Preferred Shares”) are classified as compound instruments. The Preferred Shares have claims on liquidation proceeds of the Group equal to their recorded value. The preferred Shares claims are senior to those of common shares.

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

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

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

*Convertible preferred shares* – Each convertible preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group is required to pay compensation to each holder of convertible preferred shares on conversion based on the formula specified in the shares prospectus. This payment is calculated such that, at the date of conversion, if the book value of the common shares received by the holders of convertible preferred shares is less than KZT 160 per share, the Group will reimburse the holders of convertible preferred shares for the difference in cash at the time of conversion.

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

## 20. COMMITMENTS AND CONTINGENCIES

### Financial Commitments and Contingencies

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

	<b>30 June 2014 (unaudited)</b>	<b>31 December 2013</b>
Guarantees issued	140,004	156,699
Commitments to extend credit	16,176	13,810
Commercial letters of credit	<u>9,681</u>	<u>12,093</u>
Financial commitments and contingencies	165,861	182,602
Less: cash collateral against letters of credit	(3,331)	(6,249)
Less: provisions (Note 16)	<u>(14)</u>	<u>(4,163)</u>
Total financial commitments and contingencies, net	<u><u>162,516</u></u>	<u><u>172,190</u></u>

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 30 June 2014, the ten largest guarantees accounted for 82% of the Group's total financial guarantees (as at 31 December 2013 – 83%) and represented 26% of the Group's total equity (as at 31 December 2013 – 33%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 30 June 2014, the ten largest unsecured letters of credit accounted for 66% of the Group's total commercial letters of credit (31 December 2013 – 49%) and represented 1.5% of the Group's total equity (31 December 2013 – 1.5%).

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

### Capital commitments

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

### Operating lease commitments

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

## 21. NET INTEREST INCOME

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>Interest income comprises:</b>				
<b>Interest income on financial assets recorded at amortized cost:</b>				
- interest income on impaired assets	26,480	31,285	51,593	52,996
- interest income on unimpaired assets	21,300	9,109	42,013	26,437
Interest income on available-for-sale investment securities	4,673	3,967	9,946	7,982
Interest income on financial assets at fair value through profit or loss	19	7	36	15
Total interest income	<u>52,472</u>	<u>44,368</u>	<u>103,588</u>	<u>87,430</u>
<b>Interest income on financial assets recorded at amortized cost comprises:</b>				
Interest income on loans to customers	46,390	39,108	91,002	76,549
Interest income on investments held-to-maturity	-	802	-	1,653
Interest income on amounts due from credit institutions and cash and cash equivalents	1,390	484	2,604	1,231
Total interest income on financial assets recorded at amortized cost	<u>47,780</u>	<u>40,394</u>	<u>93,606</u>	<u>79,433</u>
<b>Interest income on financial assets at fair value through profit or loss:</b>				
Interest income on financial assets held-for-trading	19	7	36	15
Total interest income on financial assets at fair value through profit or loss	<u>19</u>	<u>7</u>	<u>36</u>	<u>15</u>
Interest income on available-for-sale investment securities	4,673	3,967	9,946	7,982
Total interest income	<u>52,472</u>	<u>44,368</u>	<u>103,588</u>	<u>87,430</u>
<b>Interest expense comprises:</b>				
<b>Interest expense on financial liabilities recorded at amortized cost</b>				
Total interest expense	<u>(19,736)</u>	<u>(18,763)</u>	<u>(38,782)</u>	<u>(38,327)</u>
<b>Interest expense on financial liabilities recorded at amortized cost comprise:</b>				
Interest expense on amounts due to customers	(15,220)	(12,900)	(29,713)	(26,262)
Interest expense on debt securities issued	(4,148)	(5,668)	(8,070)	(11,762)
Interest expense on amounts due to credit institutions	(368)	(195)	(999)	(303)
Total interest expense on financial liabilities recorded at amortized cost	<u>(19,736)</u>	<u>(18,763)</u>	<u>(38,782)</u>	<u>(38,327)</u>
Net interest income before impairment charge	<u><u>32,736</u></u>	<u><u>25,605</u></u>	<u><u>64,806</u></u>	<u><u>49,103</u></u>



## 22. FEES AND COMMISSIONS

Fee and commissions were derived from the following sources:

	<b>Three months ended 30 June 2014 (unaudited)</b>	<b>Three months ended 30 June 2013 (unaudited)</b>	<b>Six months ended 30 June 2014 (unaudited)</b>	<b>Six months ended 30 June 2013 (unaudited)</b>
Pension fund and asset management	-	(1,105)	11,865	2,419
Bank transfers - settlements	2,748	2,747	5,007	4,925
Cash operations	2,156	1,801	3,898	3,248
Payment cards maintenance	1,937	1,904	3,736	3,232
Bank transfers – salary projects	1,695	1,569	3,108	2,881
Servicing customers’ pension payments	1,270	1,052	2,451	2,079
Letters of credit and guarantees issued	795	924	1,642	1,670
Maintenance of customer accounts	337	38	581	479
Other	921	573	1,577	1,010
	<u>11,859</u>	<u>9,503</u>	<u>33,865</u>	<u>21,943</u>

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

	<b>Three months ended 30 June 2014 (unaudited)</b>	<b>Three months ended 30 June 2013 (unaudited)</b>	<b>Six months ended 30 June 2014 (unaudited)</b>	<b>Six months ended 30 June 2013 (unaudited)</b>
Investment (loss)/income from management of pension assets	-	(2,554)	10,259	(484)
Income from administration of pension assets	-	1,449	1,606	2,903
	<u>-</u>	<u>(1,105)</u>	<u>11,865</u>	<u>2,419</u>

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

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

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>Net (loss) /gain on operations with financial assets and liabilities classified as held for trading:</b>				
Realized gain/(loss) on trading operations	61	(413)	239	148
Net (loss)/gain on derivative operations	(344)	642	(103)	1,012
Net unrealized loss on trading operations	(195)	(7)	(202)	(42)
	<u>(478)</u>	<u>222</u>	<u>(66)</u>	<u>1,118</u>

## 24. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Dealing, net	2,116	1,211	1,195	2,353
Translation differences, net	649	262	4,706	292
	<u>2,765</u>	<u>1,473</u>	<u>5,901</u>	<u>2,645</u>

## 25. INSURANCE UNDERWRITING INCOME

Insurance underwriting income comprised:

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
Insurance premiums written, gross	13,933	8,143	22,407	23,822
Change in unearned insurance premiums, net	(420)	386	(2,471)	(2,999)
Ceded reinsurance share	(8,965)	(2,800)	(12,105)	(8,015)
	<u>4,548</u>	<u>5,729</u>	<u>7,831</u>	<u>12,808</u>
Insurance payments	(1,762)	(3,043)	(4,342)	(4,746)
Insurance reserves	(1,385)	(1,077)	(1,432)	(5,024)
Commission to agents	(311)	(90)	(358)	(318)
	<u>(3,458)</u>	<u>(4,210)</u>	<u>(6,132)</u>	<u>(10,088)</u>
	<u>1,090</u>	<u>1,519</u>	<u>1,699</u>	<u>2,720</u>

## 26. OPERATING EXPENSES

Operating expenses comprised:

	<b>Three months ended 30 June 2014 (unaudited)</b>	<b>Three months ended 30 June 2013 (unaudited)</b>	<b>Six months ended 30 June 2014 (unaudited)</b>	<b>Six months ended 30 June 2013 (unaudited)</b>
Salaries and other employee benefits	8,545	8,155	16,585	16,396
Depreciation and amortization	1,006	1,413	2,490	2,983
Taxes other than income tax	651	564	1,331	1,075
Professional services	587	454	1,104	491
Communication	383	288	768	600
Repairs and maintenance	377	349	692	584
Security	371	354	740	711
Information services	348	222	584	408
Rent	322	322	633	621
Expenses on sale of property and equipment and intangible assets	296	87	310	107
Advertisement	272	386	421	579
Utilities expenses	243	183	600	521
Business trip expenses	188	169	345	277
Insurance agent fees	165	280	295	472
Charity	136	56	167	64
Stationery and office supplies	135	144	291	298
Transportation	111	125	224	245
Hospitality expenses	15	6	23	15
Social events	4	5	11	14
Other	442	384	709	587
	<u>14,597</u>	<u>13,946</u>	<u>28,323</u>	<u>27,048</u>

## 27. EARNINGS PER SHARE

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

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2014 (unaudited)	Three months ended 30 June 2013 (unaudited)	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
<b>Basic earnings per share</b>				
Net income for the period attributable to equity holders of the parent	26,139	14,972	63,652	34,134
Less: Dividends paid on preference shares	<u>(1,757)</u>	<u>(2,197)</u>	<u>(1,757)</u>	<u>(2,197)</u>
Earnings attributable to common shareholders	<u>24,382</u>	<u>12,775</u>	<u>61,895</u>	<u>31,937</u>
Weighted average number of common shares for the purposes of basic earnings per share	<u>10,909,943,609</u>	<u>10,906,030,815</u>	<u>10,909,901,688</u>	<u>10,906,784,307</u>
Basic earnings per share (in Kazakhstani Tenge)*	<u>2.23</u>	<u>1.17</u>	<u>5.67</u>	<u>2.93</u>
<b>Diluted earnings per share</b>				
Earnings used in the calculation of basic earnings per share	24,382	12,775	61,895	31,937
Add: Dividends paid on convertible preferred shares	744	899	744	899
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders*	N/A	N/A	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	<u>(10,101)</u>	<u>(10,473)</u>	<u>(10,104)</u>	<u>(10,439)</u>
Earnings used in the calculation of total diluted earnings per share	<u>15,025</u>	<u>3,201</u>	<u>52,535</u>	<u>22,397</u>
Weighted average number of common shares for the purposes of basic earnings per share	10,909,943,609	10,906,030,815	10,909,901,688	10,906,784,307
Weighted average number of common shares that would be issued for the convertible preferred shares	<u>79,962,309</u>	<u>79,654,631</u>	<u>79,986,574</u>	<u>79,766,329</u>
Weighted average number of common shares for the purposes of diluted earnings per share	<u>10,989,905,918</u>	<u>10,985,685,446</u>	<u>10,989,888,262</u>	<u>10,986,550,636</u>
Diluted earnings per share (in Kazakhstani Tenge)*	<u>1.37</u>	<u>0.29</u>	<u>4.78</u>	<u>2.04</u>

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

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

Class of shares	Outstanding shares	30 June 2014 (unaudited)	
		Equity	Book value of one share, in KZT
Common	10,909,975,233	410,196	37.60
Non-convertible preferred	109,300,914	9,049	82.79
Convertible preferred	79,961,400	13,291	166.22
		<u>432,536</u>	
Class of shares	Outstanding shares	31 December 2013	
		Equity	Book value of one share, in KZT
Common	10,908,700,519	362,761	33.25
Non-convertible preferred	115,533,834	10,510	90.97
Convertible preferred	79,997,250	13,291	166.14
		<u>386,562</u>	

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

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

## 28. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

### Credit risk

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

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

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

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

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

### **Structure and authorities of credit committees**

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

*Head Office Credit Committee (CC)* – CC is the committee, the primary goal of which is implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

*Branch Credit Committee and Branch Network Credit Committee (BCC, BNCC)* – Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to the small and medium-enterprise customers.

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

*Retail Branch Credit Committee of the Head Office and Decision Making Center (RCCHO and DMC)* – RCCHO and DMC are credit decision authorities, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

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

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

*Problem loans committee of the Head Office, branches* – Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

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

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

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

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

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

## **Currency Risk**

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

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

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

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

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

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

	<b>30 June 2014 (unaudited)</b>				
	<b>KZT</b>	<b>USD</b>	<b>Euro</b>	<b>Other currencies</b>	<b>Total</b>
<b>FINANCIAL ASSETS:</b>					
Cash and cash equivalents	192,741	474,313	19,692	10,462	697,208
Obligatory reserves	23,880	28,505	679	710	53,774
Financial assets at fair value through profit or loss	577	656	-	161	1,394
Amounts due from credit institutions	40,035	2,599	-	2,538	45,172
Available-for-sale investment securities	179,690	183,687	1,248	3,654	368,279
Loans to customers	947,082	554,868	5,887	17,176	1,525,013
Other financial assets	5,256	292	1,790	724	8,062
	<u>1,389,261</u>	<u>1,244,920</u>	<u>29,296</u>	<u>35,425</u>	<u>2,698,902</u>
<b>FINANCIAL LIABILITIES:</b>					
Amounts due to customers	995,780	1,008,802	28,001	7,623	2,040,206
Amounts due to credit institutions	33,672	10,763	529	980	45,944
Financial liabilities at fair value through profit or loss	68	7	-	75	150
Debt securities issued	24,593	192,923	-	3,846	221,362
Other financial liabilities	8,305	129	60	232	8,726
	<u>1,062,418</u>	<u>1,212,624</u>	<u>28,590</u>	<u>12,756</u>	<u>2,316,388</u>
Net position – on balance	<u>326,843</u>	<u>32,296</u>	<u>706</u>	<u>22,669</u>	<u>382,514</u>
Net position – off balance	<u>25,456</u>	<u>(10,378)</u>	<u>(448)</u>	<u>(15,733)</u>	<u>(1,103)</u>
Net position	<u>352,299</u>	<u>21,918</u>	<u>258</u>	<u>6,936</u>	<u>381,411</u>
	<b>31 December 2013</b>				
	<b>KZT</b>	<b>USD</b>	<b>Euro</b>	<b>Other currencies</b>	<b>Total</b>
<b>FINANCIAL ASSETS:</b>					
Cash and cash equivalents	160,380	289,034	22,138	14,761	486,313
Obligatory reserves	23,693	19,313	583	687	44,276
Financial assets at fair value through profit or loss	806	478	-	50	1,334
Amounts due from credit institutions	23,293	2,515	-	-	25,808
Available-for-sale investment securities	174,393	173,354	-	2,805	350,552
Loans to customers	973,606	493,463	3,056	12,120	1,482,245
Other financial assets	3,534	247	47	151	3,979
	<u>1,359,705</u>	<u>978,404</u>	<u>25,824</u>	<u>30,574</u>	<u>2,394,507</u>
<b>FINANCIAL LIABILITIES:</b>					
Amounts due to customers	984,705	734,130	25,063	22,750	1,766,648
Amounts due to credit institutions	78,607	28,172	474	142	107,395
Financial liabilities at fair value through profit or loss	69	-	-	-	69
Debt securities issued	24,184	162,055	-	3,276	189,515
Other financial liabilities	8,051	25	58	114	8,248
	<u>1,095,616</u>	<u>924,382</u>	<u>25,595</u>	<u>26,282</u>	<u>2,071,875</u>
Net position – on balance	<u>264,089</u>	<u>54,022</u>	<u>229</u>	<u>4,292</u>	<u>322,632</u>
Net position – off balance	<u>55,043</u>	<u>(41,728)</u>	<u>51</u>	<u>(13,318)</u>	<u>48</u>
Net position	<u>319,132</u>	<u>12,297</u>	<u>280</u>	<u>(9,026)</u>	<u>322,680</u>



## Liquidity Risk

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

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

	<b>30 June 2014</b> <b>(unaudited)</b>					
	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	697,131	77	-	-	-	697,208
Obligatory reserves	28,509	3,306	16,631	2,747	2,581	53,774
Financial assets at fair value through profit or loss	1,394	-	-	-	-	1,394
Amounts due from credit institutions	3,316	3,210	22,096	16,550	-	45,172
Available-for-sale investment securities	7,444	1,918	49,835	202,585	106,497	368,279
Loans to customers	162,057	166,132	877,395	243,165	76,264	1,525,013
Other financial assets	4,753	130	113	3,031	35	8,062
	<u>904,604</u>	<u>174,773</u>	<u>966,070</u>	<u>468,078</u>	<u>185,377</u>	<u>2,698,902</u>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to customers	1,111,980	128,826	708,394	56,713	34,293	2,040,206
Amounts due to credit institutions	12,519	60	232	9,522	23,611	45,944
Financial liabilities at fair value through profit or loss	150	-	-	-	-	150
Debt securities issued	2,816	-	9,244	122,850	86,452	221,362
Other financial liabilities	6,310	717	1,674	22	3	8,726
	<u>1,133,775</u>	<u>129,603</u>	<u>719,544</u>	<u>189,107</u>	<u>144,359</u>	<u>2,316,388</u>
Net position	<u>(229,171)</u>	<u>45,170</u>	<u>246,526</u>	<u>278,971</u>	<u>41,018</u>	
Accumulated gap	<u>(229,171)</u>	<u>(184,001)</u>	<u>62,525</u>	<u>341,496</u>	<u>382,514</u>	

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

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

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

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

## 29. SEGMENT ANALYSIS

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

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

The products and services offered by each segment are:

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

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

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

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

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

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

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Other</b>	<b>Total</b>
<b>As at 30 June 2014 and for the six months then ended (unaudited)</b>				
External revenues	62,707	84,719	10,022	157,448
Total revenues	<u>62,707</u>	<u>84,719</u>	<u>10,022</u>	<u>157,448</u>
<b>Total revenues comprise:</b>				
- Interest income	33,591	69,997	-	103,588
- Fee and commission income	27,531	6,334	-	33,865
- Net realized gain from available-for-sale investment securities	-	-	59	59
- Net gain on foreign exchange operations	1,585	4,316	-	5,901
- Insurance underwriting income and other income	-	-	9,963	9,963
- Recovery of provisions	-	4,072	-	4,072
Total revenues	<u>62,707</u>	<u>84,719</u>	<u>10,022</u>	<u>157,448</u>
- Interest expense on amounts due to customers	(21,329)	(8,384)	-	(29,713)
- Impairment (charge)/recovery	(3,038)	1,678	-	(1,360)
- Fee and commission expense	(563)	(3,573)	-	(4,136)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	-	(66)	(66)
- Salaries and other employee benefits	(3,229)	(13,356)	-	(16,585)
- Advertisement expenses	(421)	-	-	(421)
Segment result	<u>34,127</u>	<u>61,084</u>	<u>9,956</u>	<u>105,167</u>
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(9,069)
- Insurance claims incurred, net of reinsurance				(6,132)
- Unallocated operating expenses				<u>(11,317)</u>
Income before income tax expense				78,649
Income tax expense				<u>(14,613)</u>
Net Income				<u>64,036</u>
Total segment assets	439,381	1,828,013	369,696	2,637,090
Unallocated assets				<u>173,488</u>
Total assets				<u>2,810,578</u>
Total segment liabilities	(952,763)	(1,087,442)	(14)	(2,040,219)
Unallocated liabilities				<u>(332,586)</u>
Total liabilities				<u>(2,372,805)</u>
<b>Other segment items:</b>				
Capital expenditure (unallocated)				(2,069)
Depreciation and amortization expense (unallocated)				(2,490)

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

## Geographical information

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

	<b>Kazakhstan</b>	<b>OECD</b>	<b>Non-OECD</b>	<b>Total</b>
<b>30 June 2014 (unaudited)</b>				
Total assets	2,273,792	434,743	102,043	2,810,578
<b>31 December 2013</b>				
Total assets	2,071,205	333,259	101,950	2,506,414
<b>Six months ended</b>				
<b>30 June 2014(unaudited)</b>				
External revenues	152,446	1,390	3,487	157,323
Capital expenditure	(2,069)	-	-	(2,069)
<b>Six months ended</b>				
<b>30 June 2013 (unaudited)</b>				
External revenues	122,567	1,383	2,851	126,801
Capital expenditure	(2,544)	-	-	(2,544)

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

### 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

Financial Assets/Liabilities	Fair value hierarchy		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	
	31 June 2014 (unaudited)	31 December 2013				
Non-derivative financial assets at fair value through profit or loss (Note 7)	1,167	968	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 7)	49	57	Level 2	Quoted bid prices in an active market for similar or identical financial instruments.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 7)	178	58	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 - options (Note 7)	-	251	Level 2	Binominal model with primary data based on average price without using maximum and minimum values from KASE.	Not applicable	Not applicable
Derivative financial liability at fair value through profit or loss excluding options (Note 7)	(150)	(69)	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)	366,251	348,498	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	926	931	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 9)	1,102	1,123	Level 3	Valuation model based on internal rating model	Percentage discount	The greater discount - the smaller fair value



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

	<b>Available-for-sale investment securities</b>
	<b>Unquoted equity securities (Level 3)</b>
<b>31 December 2012</b>	1,242
Total gains or losses	(41)
- in profit or loss	(27)
- in other comprehensive income	(14)
Redemptions and sale	(78)
<b>30 June 2013 (unaudited)</b>	<u>1,082</u>
<b>31 December 2013</b>	1,123
Redemptions and sale	(21)
<b>30 June 2014 (unaudited)</b>	<u>1,102</u>

### 31. RELATED PARTY TRANSACTIONS

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

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

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

	<b>30 June 2014 (unaudited)</b>		<b>31 December 2013</b>	
	<b>Related party balances</b>	<b>Total category as per financial statements caption</b>	<b>Related party balances</b>	<b>Total category as per financial statements caption</b>
Loans to customers before allowance for impairment losses	5,748	1,819,619	6,852	1,805,556
- entities with joint control or significant influence over the Group	5,136		5,948	
- other related parties	612		904	
Allowance for impairment losses	(40)	(294,606)	(216)	(323,311)
- entities with joint control or significant influence over the Group	(34)		(202)	
- other related parties	(6)		(14)	
Amounts due to customers	121,451	2,040,206	101,562	1,766,648
- the parent	77,946		60,184	
- entities with joint control or significant influence over the Group	28,768		33,546	
- associates	33		27	
- key management personnel of the Group or its parent	6,188		2,602	
- other related parties	8,516		5,203	

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

	<b>Six months ended 30 June 2014 (unaudited)</b>		<b>Six months ended 30 June 2013 (unaudited)</b>	
	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>
Interest income	317	103,588	449	87,430
- <i>entities with joint control or significant influence over the Group</i>	297		402	
- <i>other related parties</i>	20		47	
Interest expense	(1,876)	(38,782)	(1,541)	(38,327)
- <i>the parent</i>	(1,667)		(1,455)	
- <i>key management personnel of the Group or its parent</i>	(110)		(57)	
- <i>other related parties</i>	(299)		(29)	
	<b>Six months ended 30 June 2014 (unaudited)</b>		<b>Six months ended 30 June 2013 (unaudited)</b>	
	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>
Key management personnel compensation:				
- <i>short-term employee benefits</i>	1,025	16,585	639	16,396
	1,025		639	

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

## 32. EVENTS AFTER THE REPORTING DATE

Up to the date of issue of this interim condensed consolidated financial information the Management has not identified any significant events after the reporting date which otherwise would required disclosure.